



University of Birmingham

**The Eisenhower Administration and U.S. Foreign and Economic
Policy towards Latin America from 1953 to 1961**

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ABSTRACT

The thesis aims to examine Eisenhower's foreign policy towards Latin America from 1953 to 1961. In order to win the Cold War, the leading bureaucrats were split over different approaches needed to achieve policy objectives in Latin America within the hierarchically regularized machinery- but it was not necessarily welcomed by every Latin American nation.

There were three problems with Eisenhower's staff structuring arrangement towards Latin America: (a) politicization of U.S.-Latin American relations from 1953 to 1961 by senior U.S. bureaucrats with an anti-communism agenda for Latin American development; (b) neglect of Latin American requests for public funds before 1959; (c) bureaucratic conflicts over different methods to achieve foreign policy objectives, often resulting in tensions between policy and operations.

The bureaucratic approach limited U.S. understanding of Latin America, meaning (a) the National Security Council (NSC) advisory system could not meet stated ideals; (b) the American approach had limited applicability to Latin American societies; (c) tensions existed between U.S. ideals and political, economic and social realities in Latin American countries.

By examining the Foreign Relations of the United States volumes and Latin American literature, this thesis moves beyond the existing scholarship of U.S.-Latin American relations and provides a new appraisal of Eisenhower's approach towards Latin America in the Cold War context.

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LIST OF ABBREVIATIONS

| | |
|------------------|---|
| AFL | American Federation of Labor |
| AFP | American and Foreign Power Company |
| AID | Act for International Development |
| AMF | American Federation of Labor |
| ARA | Inter-American Affairs |
| ASNE | American Society of Newspaper Editors |
| BOP | Balance of Payments |
| CCC | Commodity Credit Corporation |
| CIA | Central Intelligence Agency |
| CUTCH | Central Unica de Trabajadores de Chile |
| CTAL | Confederación de Trabajadores de América Latina |
| DOA | Department of Agriculture |
| DOC | Department of Commerce |
| DOD | Department of Defense |
| DOS | Department of State |
| DLF | Development Loan Fund |
| ECLA | Economic Commission for Latin America |
| Eximbank | Export-Import Bank |
| FDR | Franklin D. Roosevelt |
| FOA | Foreign Operations Administration |
| FRUS | Foreign Relations of the United States |
| GATT | General Agreement on Tariffs and Trade |
| IA-ECOSOC | Inter-American Economic and Social Council |
| IAPI | Instituto Argentino para la Promotion del Intercambio |
| IBRD | International Bank for Reconstruction and Development |
| ICA | International Cooperation Administration |
| IFC | International Finance Cooperation |
| IMF | International Monetary Fund |
| JCS | Joint Chiefs of Staff |
| MAAG | Military Assistance Advisory Groups |
| MDAP | Mutual Defense Assistance Program |
| MNR | Revolutionary Nationalist Movement |
| MSA | Mutual Security Agency |
| NAC | National Advisory Council |
| NATO | North Atlantic Treaty Organization |

| | |
|-----------------|--|
| NIE | National Intelligence Estimate |
| NSA | National Security Act |
| NSC | National Security Council |
| OAS | Organization of American States |
| OCB | Operations Coordinating Board |
| OIR | Office of Intelligence Research |
| OTC | Organization for Trade Cooperation |
| P.L. 480 | Public Law 480 |
| PLN | Partido Liberacion Nacional |
| PSB | Psychological Strategy Board |
| PVP | Popular Vanguard Party |
| RTAA | Reciprocal Trade Agreements Act |
| SEO | Soviet Economic Offensive |
| SOA | Secretary of Agriculture |
| TIAR | Inter-American Treaty of Reciprocal Assistance |
| UFCO | United Fruit Company |
| UPI | United Press International |
| USDT | United States Department of the Treasury |
| USIA | United States Information Agency |
| YPF | Yacimientos Petrolíferos Fiscal |
| YPFB | Yacimientos Petrolíferos Fiscals Bolivianos |

CHAPTER ONE

Introduction: Eisenhower's Cold War Strategy and Latin America

The purpose of this thesis is to examine Eisenhower's foreign policy towards Latin America from 1953 to 1961. Eisenhower was the president who routinely utilized the National Security Council (NSC) more often than any other president during the post-war era. The most conspicuous efforts that Eisenhower made to the foreign policy organization were the clear division of Cabinet secretariat and White House staff. Apart from advising the President, the NSC integrates policy recommendations across related agencies or departments and coordinates general policies.¹ The recent scholarship has revealed that Eisenhower was adept at "managing large, reconciling divergent factions, choosing subordinates...and making decisions on the most vital issues" based on his military experience.² Detailed evidence to support that Eisenhower was politically on the alert for policy planning has burgeoned.

The latest scholarship on Eisenhower has focused on how implicitly he manipulated his power in the policy-making process but distinguished scholars scarcely assessed

¹ R. Gordon Hoxie, "The National Security Council," *Presidential Studies Quarterly*, Vol. 12, No. 1 (Winter, 1982), p. 109.

² Chester J. Pach and Elmo Richardson, *The Presidency of Dwight D. Eisenhower* (Lawrence: University Press of Kansas, 1991), p. 29.

the policy outcomes towards American neighbouring states. Based on the extensive use of the Whiteman file, Eisenhower revisionists have found a symbiotic relationship between Eisenhower's leadership and institutionalization of the NSC, clarifying that Eisenhower did not underuse his presidential power in the policy-making process throughout his presidency.³ However, their inward-looking analysis completely played down the interactions between Cold War consequences and bureaucratic advocacy to influence the agenda. This thesis does not deviate from Eisenhower revisionism; however, this thesis does aim to demonstrate that even though Eisenhower was in effective control of the foreign policy mechanism, this did not present a welcome policy for Latinos.

In doing so, this thesis explores the correlations between the NSC advisory machinery and foreign policy objectives in the Cold War setting. The "bureaucratic politics" approach is applied throughout the thesis in understanding the issues placed on the agenda.⁴ Eisenhower perceived that economic interdependence was essential since

³ In the field of public administration, Eisenhower revisionists such as Fred I. Greenstein, Phillip G. Henderson, R. Gordon Hoxie, Richard H. Immerman and Stephen E. Ambrose, challenge the argument that Eisenhower's advisory machinery did not fulfil presidential power purposes. For more information about how a president utilizes their presidential power, please refer to Richard E. Neustadt, *Presidential Power: The Politics of Leadership* (New York: Macmillan Publishing Company, 1990).

⁴ Graham T. Allison and Philip Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis* (New York: Addison Wesley Longman, 1999), p. 280.

that would not only expand markets for agricultural surpluses but promote world peace.⁵ He further conceptualized the framework of free trade without jeopardizing domestic products, expansion of private investment and greater access to raw materials abroad in a message to Congress.⁶ The Eisenhower administration initially reduced the foreign military aid to Latin America but stressed the rise of nationalism potentially being infiltrated by communists. It is apparent that the Cold War provided opportunities for policy advocates to promote hemisphere solidarity through the framework of free trade and private investment - thereby constituting the U.S. sphere of influence against communist infiltration in Latin America.

Eisenhower's economic policy was challenged by a series of Soviet diplomatic and economic initiatives towards the Third World in the mid-1950s.⁷ The threat of communism was compounded by Nikolai Bulganin's offer to expand diplomatic, economic and trading arrangements with Latin America known as the Soviet Economic Offensive (SEO).⁸ The implications of this Soviet economic tactic

⁵ For text of President Eisenhower's Inaugural Speech, January 20, 1953, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1953* (Washington, 1953), p. 4.

⁶ Annual Message to Congress on the State of the Union, February 2, 1953, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower 1953* (Washington, 1953), pp. 15-16.

⁷ Robert J. McMahon, "The Illusion of Vulnerability: American Reassessments of the Soviet Threat, 1955-1956," *The International History Review*, Vol. 18, No. 3 (Aug., 1996), p. 616.

⁸ Bevan Sewell, *The US and Latin America: Eisenhower, Kennedy and Economic Diplomacy in the Cold War* (London: I.B. Tauris & Co. Ltd, 2016).

signalled a strategic shift from the East-West military conflict to more flexible tactics in the Third World. The Kremlin did not change its global strategy to undermine the U.S. hegemony but tactically devised different means throughout the Third World in the achievement of it.⁹ Whether the SEO was a red herring has triggered a series of debates between the Executive branch and Congress on military aid programs. The former tried to place security relevance to the spread of Soviet threat while the latter sought to deemphasize the Soviet infiltration into Latin America. Both interpreted their implications in different ways but they helped maintain U.S. global hegemony.

U.S. approaches were interpreted by most Latin Americans as a form of intervention. From the Rio Conference in 1954 to the Buenos Aires Conference in 1957, Latin American countries ardently urged that the U.S. arrange a regional approach to combat the continuing economic problems in Latin America, including more public funds, commodity stabilization and stockpile program for raw materials.¹⁰ Those requests were heard but not even considered by the United States Department of the Treasury (USDT), George Humphrey, who did not envisage a Marshall plan for Latin

⁹ McMahon, *op. cit.*, pp. 598-599.

¹⁰ Foreign Relations of the United States, the American Republics, "Minutes of a Meeting Held in the Executive Office Building, 11a.m.," in Historical Documents, *FRUS* 1952-1954, Vol. IV, June 21st, 1953.

America.¹¹ However, the imposition of tariffs on lead and zinc in 1957 was added to Latin American imports and this fuelled up widespread discontent. Latin Americans reacted violently during Richard Nixon's trip to South America, attacking his car when he was riding. It was not until Nixon's trip that U.S. policy-makers realized the potent force of local nationalism was not instigated by communist agitators.¹² Kubitschek's concept of Pan Americanism was exactly the presentation of Brazilian nationalism that forced the U.S. policy-makers to respond to Latin American requests from a multilateral aspect.

The Cuban Revolution widens the focus of analysis for stability beyond the Cold War construction. Cuba was an independent state but it was politically and economically dependent upon the U.S. With the consolidation of Fidel Castro's power, he promulgated the Agrarian Reform law to nationalize private properties which collided with U.S. imperatives of indemnity. Castro turned to the Soviets for further economic assistance and thus Mikoyan's visit to Cuba reassured Bulganin's economic initiatives towards Latin American countries in 1956. Castro not only realigned the power

¹¹ Foreign Relations of the United States, the American Republics, "Memorandum of Discussion at the 224th Meeting of the National Security Council on Monday," in Historical Documents, *FRUS* 1952-1954, Vol. IV, November 15th, 1954.

¹² Sherman Adams, *First Hand Report: The Story of the Eisenhower Administration* (New York: Harper & Brothers, 1961), p.381.

structure of sovereign states in the context of globalization but also outweighed the U.S. global integration by Cuban development.

In this thesis, I argue that the U.S. global strategy during the Eisenhower era was characterised by the continuing tensions within military, political and economic fronts, coupled with the rise of local nationalism in the Third World. In order to maintain U.S. global power, Eisenhower utilized staff structure to form his advisory machinery where the bureaucrats defined goals and debated over approaches to attain them. The repeatedly assiduous review of U.S. policy was the most striking characteristic during the Eisenhower administration. The geopolitical concerns in Latin America became the focal point while the U.S. was widely engaged in the global economic integration. Cuba, as an example, provides the interconnected process of the Eisenhower administration, the Third World revolution and the Cold War, with misinterpretation of the socioeconomic conditions as the resultant policy.

The literature review will start with the scholarship of Eisenhower's staff structuring which includes whether Eisenhower underused his presidential power during his office. The policy-making process means that the focus on Eisenhower's leadership and his character could shed some light on his approach to the organization, which

left a massive amount of paperwork. By assessing the primary information one could follow the habitual pattern of decision-making and policy-makers' worldviews relating to the Cold War context. Eisenhower's staff structuring is the main body of the methodology of this thesis, coupled with the bureaucratic politics approach as a research method.

Furthermore, it will discuss how Eisenhower's economic foreign policy developed in relation to the Cold War strategy, which indeed affected the construction by U.S. policy-makers of perceived threats in Latin America - but this simplification in turn presents a gap between bureaucratic perceptions and Latin American nationalism. Next, the academic studies of the SEO in Latin America are discussed. The Executive branch and U.S. Congress had different interpretations of concerns in the face of the SEO. On one hand, Eisenhower tried to bring the Third World's relevance to U.S. security through the increase of military assistance but on the other hand, U.S. Congress prioritized public funds as an essentiality for Latin American development.

Further, Latin American countries received nothing from the U.S. during the Buenos Aires Conference but the tariff imposition on lead and zinc. Even though the U.S. approach maintained global hegemony, it ironically strengthened the local nationalism

counterbalancing U.S. economic intervention. Nixon's trip to Latin America and Kubitschek's Pan Americanism were consequences of U.S. policy. The former presented a strong backlash from the masses while the latter was a presentation of nationalism at governmental level. The U.S. received challenges of Latin American nationalism not only from governmental level but from Latin American nationals.

Cuba gained its independence in the Spanish-American War in 1898. American business networks were extensive in Cuba which catalyzed the Platt Amendment annexed to the Cuban constitution. Santamarina's work has fully engaged with U.S. economic domination over the Cuban development and U.S. Congress.¹³ Cuba literally became a U.S. protectorate. In such a political society, one could not exclude the study of Castro's nationalism from the context of globalization. Through the framework of economic sovereignty, Castro's claim of local sovereignty outweighed Eisenhower's economic integration, replacing the U.S. market with the Soviet market for its sugar industry. Cuba was unique since Castro clearly redefined relations between Cuba's localization and dogmatic globalization.

¹³ Juan C. Santamarina, "The Cuba Company and the Expansion of American Business in Cuba," *The Business History Review*, Vol. 74, No. 1 (Spring, 2000), pp. 57-65.

Eisenhower's Staff Structuring: Leadership and Governance

Eisenhower, who used to be Supreme Allied Commander Europe and Chief of Staff of the Army, carried over his military experience when taking office as President. In his mindset, he did not like politicians and “the Army and Army officers were supposed to be above politics”.¹⁴ In military service, teamwork is something that operates in the armed forces routinely which includes the collaboration between a group of organizations and individual staff. It is obvious that the military experience guided his presidential career - military staff and organizations were closely connected and viewed as a team. From Harry Truman's anticipation, Eisenhower would not know how to be a political leader and he commented that “he'll sit here, and he'll say, ‘Do this! Do that!’ and nothing will happen. Poor Ike - it won't be a bit like the army”.¹⁵ Constrained by military management, Eisenhower would be a little confused by military command and presidential power. Richard E. Neustadt points out that “presidential power is the power to persuade”.¹⁶

The old debate about whether Eisenhower underused the power of persuasion has mostly been filled by the materials that the revisionists have introduced in the scope

¹⁴ Stephen E. Ambrose, *Eisenhower: Soldier and President* (New York: Simon & Schuster, 1990), p. 47.

¹⁵ Neustadt, *op. cit.*, p. 304.

¹⁶ *Ibid.*, pp. 28-29.

of presidential leadership. James David Barber, who was the traditional scholar, classified Eisenhower's character into a passive-negative category that tends to "withdraw, to escape from the conflict and uncertainty of politics by emphasizing vague principles (especially prohibitions) and procedural arrangements".¹⁷ Revisionists, such as Fred I. Greenstein, argue that Eisenhower made use of the hidden hand leadership exercising his underlying influence in his self-effacing character. This strategy indeed helped to avoid a backlash against any controversial policy, such as the Guatemalan coup d'état in 1954.¹⁸ Meanwhile, Eisenhower highly recognized the virtues of organization that he regularly used. Scholarship has classified Eisenhower's organization into formal and informal categories.¹⁹

Eisenhower considered the organization as an inseparable component of the advisory system. He has shown strong proclivity for systemizing the policy-making process.

Eisenhower confessed in his memoir:

Organization cannot make a genius out of an incompetent, even less can it, of itself, make the decisions which are required to trigger the necessary action. On the other hand, disorganization can scarcely fail to result in inefficiency and can

¹⁷ James David Barber, *The Presidential Character: Predicting Performance in the White House* (New York: Pearson Education Inc, 2009), p. 170. pp. 179-180.

¹⁸ Fred I. Greenstein, *The Hidden-Hand Presidency: Eisenhower as Leader* (London: The Johns Hopkins University Press, 1994), pp. 58-65.

¹⁹ *Ibid.*, pp. 100-102.

easily lead to disaster.²⁰

Eisenhower's leadership was composed of effective organization and Cabinet or staff officials. John W. Sloan analysed that the Cabinet was typical of the formal advisory system where "Cabinet bickering, personality conflicts, end running, tale hearing, and throat cutting were much recorded". Hence, cabinet meetings were described as an "arena for conflict". However, those who provided advice for the President outside the institutionalized mechanism were viewed as the informal advisory system. Dr. Milton Eisenhower's channel presented the best example of this relationship. Sloan concluded that the informal advisory system was supplementary to the formal advisory system in support of Eisenhower's leadership.²¹

Sloan explained that neither the formal nor the informal advisory system contributed to his decision-making style. During Eisenhower's administration, delegation of responsibility to staff and Cabinet officials was common. For example, John Foster Dulles whom Eisenhower trusted was given much responsibility. Eisenhower expected "a specific recommendation", rather than "a range of options". At the initial stage, Eisenhower could accept "half-baked ideas"; however, he turned out to be "the

²⁰ Dwight D. Eisenhower, *The White House Years: Mandate for Change* (New York: Doubleday & Company, Inc, 1963), p. 114.

²¹ John W. Sloan, "The Management and Decision-Making Style of President Eisenhower," *Presidential Studies Quarterly*, Vol.20, No. 2 (Spring, 1990), pp. 297-304.

coldest, most unemotional and analytical man in the world”.²² Charles Walcott and Karen M. Hult criticized that “the categories of formal and informal reveal little about the exact nature of particular decision processes”. Moving beyond this, they adopted the organizational governance theory for the study of public organizations. This approach assumes that an organization is hierarchically structured for “greater consensus and certainty”, with the president being at the top. Governance theory consists of three basic parts: goals (Eisenhower explored and defined goals via speeches and messages), means (press briefings as means to cope with uncertainty and controversy) and consensus (Cabinet Secretariat serving as managerial functions).²³

Scholars have examined the symbiosis between the orderly advisory organizations and Eisenhower’s leadership. Phillip G. Henderson and R. Gordon Hoxie have reviewed the hierarchical structure of the NSC, the central focus of the policy formulation and implementation coordinating efforts with the Planning Board and the Operations Coordinating Board (OCB). From Hoxie’s observation, the President

²² *Ibid.*, pp. 304-305.

²³ Charles Walcott and Karen M. Hult, “White House Organization as a Problem of Governance,” *Presidential Studies Quarterly*, Vol.24, No. 2 (Spring, 1994), pp. 328-336.

“institutionalized the NSC and gave it clear lines of responsibility and authority”.²⁴

Followed by orderly procedures of the organization, all policy ideas began from the Planning Board where members dedicated themselves to “debating, refining and drafting policy papers” before they reached the Council and the President. The Planning Board provided an opportunity for assistant secretaries who attended the Board to present the drafts that might possibly be discussed at the Council to their respective Secretaries. However, the OCB was created to monitor the progress of implementation and normally presented by the Director of Central Intelligence, the Deputy Secretary of Defense, the Director of the U.S. Information Agency and Eisenhower’s representative. The OCB was hosted at the under-secretary level every Wednesday at 1:00 p.m.²⁵

Robert Cutler, who served as the 1st NSC adviser, helped Eisenhower reorganize the NSC structure into the top of the ‘policy hill’. The bottom-up design of the foreign policy mechanism assigned “each department or agency with a function to perform under such approved policy must prepare its program to carry out its responsibility”.²⁶

²⁴ Phillip G. Henderson, “Organizing the Presidency for Effective Leadership: Lessons from the Eisenhower Years,” *Presidential Studies Quarterly*, Vol.17, No. 1 (Winter, 1987), p. 54.

²⁵ *Ibid.*, pp. 54-58.

²⁶ Robert Cutler, “The Development of the National Security Council,” *Foreign Affairs*, Vol.34, No. 3 (Apr., 1956), p. 448.

He warned that “the Special Assistant has direct access to the President...[this] would tend to intervene between the President and his Cabinet members” that confuses “the line of responsibility from the President to his Cabinet”.²⁷ Henderson indicated there was a growing centrality during the post-Eisenhower administration which inwardly boosts the growth of policy-entrepreneurship among leading NSC bureaucrats. They prove to be policy advocates who advance ideas and proposals directly opposite to those of the heads of their own Department - or perhaps other agencies and Departments.²⁸ The literature has revealed that scholars should pay more attention to the growing influence of the policy advocates in the policy-making process.

Greenstein and Richard H. Immerman analysed that the President was surrounded by various advocacy of policy campaigns “supervised by an assistant for national security”. His role is like a “custodian-manager rather than a policy advocate”. Critics viewed the NSC advisory system as a bureaucratic machine since it produced plenty of papers.²⁹ However, those initial drafts, policy statements, interdepartmental memorandums and progress reports serve as great resources for the development of the bureaucratic approach in exploring the interactions between policy advocates and

²⁷ *Ibid.*, p. 457.

²⁸ Henderson, *op.cit.*, p. 59.

²⁹ Fred I. Greenstein and Richard Immerman, “Effective National Security Advising: Recovering the Eisenhower Legacy,” *Political Science Quarterly*, Vol.115, No. 3 (Autumn., 2000), pp. 343-345.

foreign policy mechanism. Responding to this, Graham T. Allison's bureaucratic politics approach provides a theoretical framework to explain how agendas are set in policy-making.³⁰ John W. Kingdon argues that policy entrepreneurs are those who could transform an idea into the public agenda.³¹ It is necessary to observe how the NSC bureaucrats organize and formulate specific agendas in the NSC system. American scholarship has placed much emphasis on the successful interaction between Eisenhower's management and advisory system but often ignored the Cold War origins of national security and economic consideration. Therefore, there was a substantial gap between how individual bureaucrats reacted to the impact of the Cold War and which issues should be on the agenda.

Eisenhower's Economic Policy and Cold War Strategy of Containment

In 1953, there was a growing concern about Truman's approach to the Soviet Union, especially Truman's proposal following the Korean War to increase the defense budget for fiscal year 1954. Eisenhower criticized that Truman's military expenditures in excess of U.S. domestic economy were perilous. Consequently, one of

³⁰ Allison and Zelikow, *op. cit.*, pp. 280-282.

³¹ John W. Kingdon, *Agendas, Alternatives, and Public Policies*, 2nd ed. (New York: Longman, 1995), pp. 179-180. *Kingdon argues that an idea needs to go through three streams before entering the public agenda: (a) Problem stream suggesting how individual bureaucrats identify its origin, (b) Policy stream meaning bureaucrats propose a change, (c) Political stream directly referring to the influence of political campaigns launched by pressure groups or a group of policy advocates.

Eisenhower's agenda was to reduce the unnecessary budget for national security. According to Chester J. Pach and Elmo Richardson, Eisenhower was gravely concerned about "the economic implications of national security programs". His restructure of the NSC also incorporated the Bureau of the Budget and the USDT. Unlike Truman, Eisenhower made the NSC principal arms of an advising body considered as a balance between the U.S. economy and national security in the Cold War context. Eisenhower's global strategy initially rested on the concept of containment against Soviet expansionism - this involved Project Solarium under the framework of the NSC.³²

Project Solarium was composed of working groups. George F. Kennan, who represented the first group, urged Eisenhower to continue the containment principles and keep Western Europe and Japan from communist aggression through military strength and economic growth. In Kennan's philosophy, the Marshall Plan and Allied-occupied Germany were proper realization of the containment policy but the North Atlantic Treaty Organization in 1949 was formed from "an exaggerated fear of the possibility of Soviet attack". Kennan confessed that the containment policy had been overly militarized before Truman was ready to execute the NSC 68. Therefore,

³² Pach and Richardson, *op. cit.*, pp. 76-78.

his proposal was based on “the containment principles that he had advanced in the late 1940s but support them with national security expenditures equal to those of the early 1950s”. The second group was chaired by James McCormack, who proposed to threaten the Soviet aggression by using nuclear weapons and thereby decrease defense spending. The third group included Richard L. Conolly, who advocated rolling back Soviet influence by attainable methods such as covert actions, propaganda activities, military assistance, diplomatic pressure and economic sanctions.³³

Project Solarium divided Eisenhower’s global strategy into two conspicuous camps - the containment strategy and the roll back theory. According to Pach and Richardson, the USDT and budget authority emphasized the U.S. economy would be badly damaged because of “deficits or high taxes over a sustained period” and this could jeopardize free institutions; on the other hand, the Department of Defense (DOD) and the Departments of State (DOS) argued the defense budget for the present could be managed effectively without endangering the U.S. economy despite tax increases. Eisenhower and fiscal conservatives all agreed the U.S. economy could bear for a short period of time but in the end the U.S. must have sufficient supply of dollars. As a result, economic prosperity was fundamental to “the security and stability of the free

³³ *Ibid.*, pp. 78-79.

world”. Eisenhower’s global strategy in 1953 was indeed a continuance of Kennan’s containment policy in the late 1940s.³⁴ Project Solarium has revealed policy-makers’ perceptions of world stability maintained by a strong U.S. economy. In sum, policy-makers all recognized the positive outcome of stability under the U.S. leadership against Soviet communism but Project Solarium referred little to the relationship between U.S. national security and regional instability, and concentrated much less on Latin America.

In this regard, Lars Schoultz provides a broad analysis for “the causes and consequences of instability in Latin America” beyond the U.S. narrative of stability. Schoultz proposes that Latin American instability is a complex phenomenon and U.S. bureaucrats often simplify this through the construction of differing beliefs. In fact, U.S. policy-makers had different interpretations of “the causes of instability” and no one was that positive of “the consequences of instability for U.S. security”.³⁵ Schoultz identified “poverty and communism” as two causes of instability. For the belief in poverty, he divided this into three distinct interpretations. Conservative interpretation concludes economic and social resources were unevenly distributed

³⁴ *Ibid.*, p. 80.

³⁵ Lars Schoultz, *National Security and United States Policy toward Latin America* (New Jersey: Princeton University Press, 1987), p. 11.

which leads to poverty. Liberal and moderate bureaucrats also viewed poverty as a resultant but presented a more convincing argument that “structural change” in society such as the regime transition would risk U.S. national security. For the belief in communism, Soviet ideology was intrinsically evil and driven by a strong penchant for expansion. Latin America was susceptible to Soviet infiltration. George Kennan’s trip in 1950 revealed the underlying disparity between the rich and the poor. Economic inequality deepened the ingrained belief that communism might utilize the trend. Being egotistic and self-centred, Latin American leaders were biased against the U.S., further evolving into Anti-Americanism upheld by radical leaders.³⁶

Schoultz summarized four consequences of instability in Latin America - “strategic access to raw materials”, “military bases and support”, “sea lines of communication” and “Soviet military bases”. He reached a conclusion that maintaining global balance of power was the fundamental belief in constructing policy-makers’ perceptions and the role of Latin America was to support U.S. global power to prevent any region falling under the influence of Soviet communism.³⁷ Hence, Latin America was of minimal importance to the U.S., the degree of which varies with the pursuit of U.S. global balance of power. This affected how U.S. policy-makers perceived of U.S.

³⁶ *Ibid.*, p. 71. pp. 109-111. pp. 122-128.

³⁷ *Ibid.*, pp. 143-269.

interests in Latin America and prioritized their foreign policy agenda. There has been an extensive discussion about the hegemonic rise of the U.S. in the new world order after the Second World War.

Margarita López-Maya identifies three historical events that changed Latin American priority in the U.S. global hegemonic agenda. Firstly, the U.S. deepened the Dumbarton Oaks proposals, requiring the Latin American states in support of U.S. leadership as a world power during the Chapultepec Conference from February to March in 1945 but Latin American governments concentrated on economic issues. The U.S. required “a reduction in the tariff barriers and the elimination of economic nationalism in all its forms”; however, most Latin American countries supported the protectionism to safeguard the nascent industries. Secondly, the Rio de Janeiro Conference in August 1947 strengthened the concept of collective security, further crystallizing the Inter-American Treaty for Reciprocal Assistance (TIAR). Thirdly, the Conference of Bogotá in 1948 followed in the wake of the Cold War. The significance of this Conference was the creation of the Inter-American system where a regional dispute resolution is set before going to the United Nations (the Pact of Bogotá). Secretary of State Marshall added that the economic recovery in Europe was essential for the revival of world economy. Marshall set the tone for the revival of world

economies through the stimulation of private investment soon after the Economic Charter of the Americas, which dismayed bureaucrats who envisaged a Marshall Plan for Latin America.³⁸

López-Maya presented the Truman Doctrine in 1947 as a U.S. initiative to deepen the democratic belief in Greece and Turkey by providing economic assistance for fear that both states might fall in the Soviet communism; Latin American local democratic proponents did not benefit from the change of the U.S. priority. Prior to the Cold War, some groups like “the Catholic Church, the armed forces, and the landowners” had predated and controlled the Latin American societies. They demonstrated no interest in Truman’s pro-democratic initiative but were ardently responsive to the anti-communist agenda. López-Maya proposes that the lack of interest was because the upper class in Latin America did not believe “the participatory democracies” would come into being in Latin America. Throughout U.S.-Latin American historiography from 1945 to 1948, although the U.S. and Latin America had differing interests during the Chapultepec Conference in 1945, the maintenance of global power would echo in the national security agenda with Latin American conservatives

³⁸ Margarita López-Maya, “The change in the discourse of US-Latin American relations from the end of the Second World War to the beginning of the Cold War,” *Review of International Political Economy*, Vol. 2, No. 1 (Winter, 1995), pp. 135-143.

who were more likely to defend against external aggressors within the Cold War imperative, as shown in the TIAR in 1947.³⁹

López-Maya concluded that Latin American governments were divided into “more popular or democratic bases” and anti-communist campaigners. The former was an impulse to nationalism, democratization and inter-American economic collaboration while the latter reached to the U.S. national security priorities. However, changes in discourses, especially the anti-communist narrative, represented “the changing configuration of Latin American social forces” and “the re-establishment of regressive forms of political domination in Latin American societies”.⁴⁰ López-Maya’s analysis reflected a paradigm of cooperation and confrontation on U.S.-Latin American relations from 1945 to 1948 but did not cover the second term of the Truman administration until the Eisenhower administration. Therefore, Chapter Two emphasizes Eisenhower’s restructuring bureaucracy to shape foreign economic policy and explores a correlation between cooperation and confrontation in Argentina, Bolivia and Guatemala through changes in discourses. López-Maya’s work has referred to nationalism as one of the social forces but did not develop its concept. Chapter Two will develop a bottom-up design in three cases with wider reference to

³⁹ *Ibid.*, pp.145-146.

⁴⁰ *Ibid.*, pp.147-148.

nation and nationalism in the literature.

Nation and Nationalism: Effects on Latin American Politics

Latin American nationalism is a complex issue because the concept involves different histories, languages, cultures and multiracial groups. To understand the construction of Latin American nationalism, it is essential to define 'nation' and 'state'.

According to Andrew Heywood, a nation, in a broad context, means a group of people who share common values such as history, language, culture, ethnicity or religion - usually bounded by the same border. However, a state signifies self-governing institutions that exercise their power recognized or used by the nation. There are two interpretations of 'nation-state'. In a narrow sense, a group of homogeneous people inhabit the territory that is governed by the political entity, usually one nation within a single state. For example, the Dutch Republic, the Kingdom of France and Spain were defined by Westphalian sovereignty as one nation within the one state.⁴¹ In a broad sense, two or more nations living in a state is possible. For example, Woodrow Wilson proposed to promote self-determination after World War I in 1918 such as the Austro-Hungarian Empire and the Ottoman Empire.⁴² One nation and two states also

⁴¹ Andrew Heywood, *Political Ideologies: An Introduction* 5th edition (New York: Palgrave Macmillan, 2012), pp. 168-169. p. 178.

⁴² Matthew Vink, "The Competition for Self-Determination in Czechoslovakia, 1918-1919," *New Zealand Slavonic Journal*, Vol. 46 (2012), pp. 41-43.

existed as shown in North Korea and South Korea because the U.S. employed the application of a 'divide and rule' policy to stop the Korean War.⁴³

The nation is the core element to understanding Latin American societies. The word 'nation' has connotations of ethical, historical, cultural and social grounds with the territory that shapes identity. However, nationalism is recognized as a core element of the revolutions in Europe during the mid-eighteenth century. The word 'nationalism' has the political foundation to start a movement. Heywood claims that the French Augustin Barruel was the first priest to use 'nationalism' in 1789.⁴⁴ Eric J. Hobsbawm started the scholarly discussion between 'nation' and 'nationalism' in his work *Nations and Nationalism since 1780: Programme, Myth, Reality*. He traced back to the dictionary of ancient French, citing Froissart's interpretation to mean 'land of birth' but the liberal bourgeois from 1830 to 1880 was described as "a phase in human evolution or progress from the small group to the larger, from family to tribe to region, to nation and, in the last instance, to the unified world of the future" rather than homeland. In this regard, Germany has gone through the process of unification.⁴⁵

⁴³ B.C. Koh, "The War's Impact on the Korean Peninsula," *The Journal of American-East Asian Relations*, Vol. 2, No. 1 (Spring, 1993), p. 63.

⁴⁴ Heywood, *op. cit.*, p. 168.

⁴⁵ Eric Hobsbawm, *Nations and Nationalism since 1780: Programme, Myth, Reality* (Cambridge: Cambridge University Press, 1992), pp. 15-17. p. 38.

Hobsbawm said little about the eighteenth-century Enlightenment, and nothing about Romantic nationalism. David Luban adds that there has been the constant demand for national sovereignty against cosmopolitanism and universalism.⁴⁶ In this scenario, the nationalism will evolve into patriotism.

Heywood indicates that Latin American nationalism adopted this sentiment from France. In the early nineteenth century, the idea of nationalism came across Latin America when Simón Bolívar liberated Latin American territories (Colombia, Peru, Ecuador, Venezuela and Bolivia) from Spanish rule to form the Gran Colombia. The salient feature of nationalism came up with political creeds to “shape and reshape history in many parts of the world for over two hundred years”.⁴⁷ Benedict Anderson claims that the notion of nation has its roots in ethical identities. *Criollo* peoples were descendants of European kinship but born in the Americas and some were of Native American backgrounds. In 1821, José de San Martín, who was Bolívar’s fellow and a liberator for Peruvian independence, instructed that in the future Peruvians should include the Indians or natives who are aborigines. They all belong to Peru and are “children and citizens of Peru”. Anderson discusses the reasons why the colonial

⁴⁶ David Luban, “The Romance of the Nation-State,” *Philosophy & Public Affairs*, Vol. 9, No. 4 (Feb., 2017), p. 392.

⁴⁷ Heywood, *op. cit.*, pp. 169-170.

territories in Latin America had some non-Spanish speaking inhabitants but on the other hand creates creoles who consciously incorporated the native aborigines into a more inclusive society. The answer was that Madrid centralized political control of Spanish-American territories. New taxes were issued to benefit the Spanish Empire but the Spanish America had been an administrative unit where *Criollo* peoples were subject to the effect of Madrid's policy. For example, all competition with Madrid was prohibited and each administrative unit could not trade with other units.⁴⁸

Anderson describes nation as “an imagined community”. Nation is to be understood as a socially imagined community recognized by a certain group of people but nationalism has been an uneasy anomaly for Marxist theory. For instance, Anderson raises the question whether the “proletariat of each country must settle matters with its own bourgeoisie”. Nationalism-with-a-big-N was treated as an ideology such as ‘liberalism’ or ‘fascism’ but it should be compared to ‘kinship’ and ‘religion’.⁴⁹

Anderson's proposition of print-capitalism laid the foundation for national consciousness for three reasons. Firstly, print-language facilitated circulation of information and ideas. The content written in the vernacular made the fellow readers

⁴⁸ Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, revised edition (London: Verso Press, 2016), pp. 48-52.

⁴⁹ *Ibid.*, pp. 3-5.

feel part of a nationally imagined community. Secondly, print-capitalism “gave a new fixity to language” that eventually shaped a new image of antiquity. Thirdly, “print-capitalism created language-of-power of a kind different from the older administrative vernaculars”. These reasons contributed to the formation of nation-states in Spanish America and illustrated why *Criollo* nationalism took place in the Americas prior to Europe.⁵⁰

Despite the national-print language, Professor James Dunkerley’s analysis also helps explain the correlation between nationalism and Karl Marx’s philosophy. Based on the memoirs of William Miller who was an officer in the southern army of José de San Martín, Dunkerley’s claim to “the resurgence of a radical relativism offers every liar the veil of simply being discursively sovereign”.⁵¹ From the description of Bolívar’s characteristics and personality, the elite leader was axiomatically affiliated to the America (fatherland), societal integration, and political allegiance, with the latter as the clear presentation of nationalist in outlook - indicating lower classes into political community. Latin American nationalism contains parochialism, patriotism, and ethnicity. It is suggested that Latin American forces reach “beyond even the pressing

⁵⁰ *Ibid.*, pp. 44-46.

⁵¹ James Dunkerley, *Americana: The Americas in the World, around 1850* (London: Verso Press, 2000), p. 238.

contemporary problem of ‘bonapartism’ to the ‘essential’ question of economic structure”.⁵² From Marx’s perspective, the mode of production determines the character of cultural, political, legal, social and intellectual life. However, a Bonapartist regime was the presentation of a narrower ruling class, describing state and bureaucracy as separate parts of the society. This logic is apparently contradictory to Marx’s assumption that the class struggle launched by the ‘class-conscious’ proletariat leads to a harmonious society. In the Bonapartist regime, it highlights the centrality in the society.

In this respect, Dunkerley adds that Engels had acknowledged the U.S. presence as an industrial ‘empire’ in the event of the Mexican war but raised doubts about the logical relations between bourgeoisie and capitalist-industrial empire:

In America we have witnessed the conquest of Mexico and have rejoiced at it. It is also an advance when a country which has hitherto been exclusively wrapped up in its own affairs, perpetually rent by civil wars, and completely hindered in its development, a country whose best prospect had been to become industrially subject to Britain - when such a country is forcibly drawn into the historical process. It is to the interest of its own development that Mexico will in future be placed under the tutelage of the United States. The evolution of the whole of America will profit by the fact that the United States, by the possession of California, obtains command of the Pacific.⁵³

⁵² *Ibid.*, p. 239.

⁵³ *Ibid.*

Professor Claudio Lomnitz, a well-known Mexican scholar at Columbia University, challenges Anderson's basic proposition that nation is imagined as both inherently limited and sovereign. However, this conception did not reflect much on the development of 'nación' prior to the independence movements in Spanish America. The invocation of 'nación' by Mexican Creoles would mean differently. It would mean either to identify themselves with Spain or to separate from Spain. Possibly, they would draw a clear distinction between their territorial space in New Mexico and the indigenous communities. In this regard, 'nación' is indeed separable with distinct sovereignty rights. In addition, Lomnitz criticizes Anderson's conception of imaginary communities for its abstract definition of communities. Lomnitz, on the other hand, convincingly argues that 'nación' as a community requires "deep horizontal comradery" that clearly delineates hierarchical ties on the grounds of fraternity. The vertical tie could be extended to the public sphere between indigenous people, haciendas, and bourgeois or private sphere between fathers, women and other dependent children. Citizens were the main body of the state. Moreover, Anderson's emphasis on personal sacrifice represents as a misleading interpretation of nationalism because the imagined community to nationhood is easily taken as "a communal ideology".⁵⁴ The problem with Anderson's proposition lies in his abstract definition

⁵⁴ Claudio Lomnitz, "Nationalism as a Practical System. Benedict Anderson's Theory from the Perspective of Spanish America," in Miguel Angel Centeno and Fernando López-Alves ed., *The Other*

that nationalism does not distinguish sovereign from imagined communities.

Professor Nicola Miller bases on Lomnitz's review of nationalism, responding to historical usage of Latin American nationalism in this academic debate.⁵⁵ Miller claims that the notion of the sovereignty could be interpreted as a separable unit in association with a single role or person (the presidency) from the state, especially for much of the twentieth century. For example, Juan Perón, while being in exile from 1955 to 1973, was widely recognized as the sovereign leader of the nation by most Argentines. Perón continued exerting his political influence to launch the 1958 elections in Argentina in support of the moderate Arturo Frondizi, even though Perón was in Madrid.⁵⁶ Miller has also examined the effects of war and militarism on Latin America nation-building. For example, the Second French intervention in Mexico from 1862 to 1867, the Mexican-American War from 1846 to 1848, the Paraguay War from 1864 to 1870 and the Chaco War from 1932 to 1935. These examples have shown that the construction of national identity by Latin American leaders of perceived militarism affected the nation-building process. Consequently, the

Mirror: Grand Theory through the Lens of Latin America (New Jersey: Princeton University Press, 2001), pp. 334-336.

⁵⁵ Nicola Miller, "The historiography of nationalism and national identity in Latin America," *Nations and Nationalism*, Vol.12, No. 2 (March, 2006), pp. 207-208.

⁵⁶ *Ibid.*, pp. 209-210.

militarism was an impulse to create national heritage or legitimate authority against other states, which had a magnificent impact on some Latin American nationalism during the nineteenth century.⁵⁷

According to Miguel Angel Centeno, the phenomenon of state-building taking place in Europe did not apply to Latin America. Compared with Europe, the social elite were unable to transform a society ripped asunder by war to realize institutional autonomy.⁵⁸ Centeno emphasizes that England, France and Prussia had institutionalized central authority and a crumb of a bureaucracy prior to the state-building stage of war. On the other hand, the venal practices in the Spanish bureaucracy and “the financial leakage of a tax farming system” that allows the tax farmers to gain the right of tax collection from the state largely impeded state development.⁵⁹ Interestingly, Centeno’s work has touched the theme of nation-building in association with the iconographic nationalism, such as the monuments and street names in memory of some heroic figures as well as national currency. Despite sporadic boundary disputes in Latin American states, this nationalism did not grow hatred against foreigners, nor did military figures foster

⁵⁷ *Ibid.*

⁵⁸ Miguel Angel Centeno, *Blood and Debt: War and the Nation-State in Latin America* (Pennsylvania: Pennsylvania University Press, 2002), p. 107.

⁵⁹ *Ibid.*, p. 106.

bellicose fervour and fight against one another under the patriotism. They would become bellicose to deal with internal conflicts and maintain centralized authority.⁶⁰

Centeno has examined the correlations between war and the institutional development in Latin America. Wars give an impulse to construct national pride, which motivates the national leader's heroism and patriotic sentiments. Conscription to a large extent contributes to citizenship and facilitates the social integration. However, Latin American states did not undergo tremendous wars in the region and the military participation was not high in the area.⁶¹ In my analysis, Centeno's work discusses little about the interaction between the U.S. perspective of 'nation' and Latin American perspective of 'nation'. His interpretation of Latin American nationalism focuses on the nineteenth century, which causes methodological limits of ideological nationalism. His concept of nationalism does not present an intimate relationship with ideology which is compared to the concept of nation perceived by Anderson.

Craig Calhoun observes that nationalism should not be solely viewed as a political doctrine since this does not explain the ramifications or the degree to which nationalism and national identities impact on people's lives. Therefore, he contends

⁶⁰ *Ibid.*, pp. 189-190. p. 83. pp. 88-91.

⁶¹ *Ibid.*, pp. 219-221.

that “nationalism is more basic way of talking, thinking, and acting”.⁶² Nations, to be put in Anderson’s words as the imagining communities, represent the “collective identities” in actual forms such as national flags, ceremonies and prides - that are fundamental components of nationalism in popular emotional appeal. Nationalism, constructing the way that human beings live, is more than a political doctrine.⁶³ From my perspective, this suggests that nation is a dynamic concept. Citizens can discern nationalism as it is part of life. Collective identity might demonstrate one’s attachment to one’s nation - this is what we call patriotism.

To explore origins of nations, Anthony D. Smith argues that nations were based on the pre-existing ethnic ties but many nationalisms misinterpreted accounts of historical events. The force of nationalism results from “the myths, memories, traditions, and symbols of ethnic heritages and the ways in which a popular living past has been, and can be, rediscovered and reinterpreted by modern nationalist intelligentsias”. Smith provides the ethno-symbolic approach to explain how the pre-existing cultures fashion the basis of the national identities in the modern epoch.⁶⁴ History and culture are two reference points to shape popular visions, and to form the social configurations.

⁶² Craig Calhoun, *Nationalism* (Minneapolis: University of Minnesota Press, 1997), p. 11.

⁶³ *Ibid.*, p. 12.

⁶⁴ Anthony D. Smith, *Myths and Memories of the Nation* (Oxford: Oxford University Press, 1999), p. 9.

Hence, modern national identities often reflect or incarnate old identities in new generations. The concept of a nation built on the pre-existing ethnic ties has a lasting effect, which gives fresh impetus to nationalists' initiative in creating an inclusive society through the international agenda and local appeal.

The time frame of this thesis starts from the early Cold War, spanning the whole Eisenhower administration. This period includes geopolitical tensions between the U.S. and the Soviet Union, the expanding market of capitalism and anti-imperialist movement in the Third World. Richard L. Harris and Jorge Nef contended there were some “national populist regimes” in Latin America between the 1930s and 1960s - forming a political alliance between “the more urban sectors of the upper, middle, and working classes” - to encourage social development. Alliance supported state intervention in the economy against the capitalist globalization. Economic nationalism was a hurdle to the capitalist globalization. The characteristics from the late 1920s until the 1960s were delineated by “conflict between the competing centers of the world capitalist system over their [the U.S.] spheres of influence, hegemony, and colonial domination”.⁶⁵

⁶⁵ Richard L. Harris and Jorge Nef, “Capital, Power, and Inequality in Latin America and the Caribbean,” in Richard L. Harris and Jorge Nef ed., *Critical Currents in Latin American Perspective* (Maryland: Rowman & Littlefield Publishers, 2008), p.6.

Frankly speaking, Harris and Nef have provided a ‘political alliance’ approach to understanding Latin American politics. Consequently, three cases (Argentina, Bolivia and Guatemala) in Chapter Two will focus on interactions between local political coalitions and nationalization practice. In my analysis, Latin American nationalism is multifaceted; political alliance only represents one side of it. Moreover, they recognized the competing nature of the Cold War but did not elaborate much on the role of the Soviet Union. The current literature paid scant attention to policy shift in the Soviet Union; the Third World especially. The central focus should go beyond this and move on to the theme of Soviet propaganda towards Latin America in a regional context. More importantly, Chapter Three will examine the U.S. response to Soviet efforts in the Third World (Latin American states in particular) and see whether Soviet efforts, over periods of time, present a centrifugal force in the global balance of power.

Latin America in Soviet’s Narrative: Soviet Economic Offensive (SEO)

The argument that Latin America is part of the U.S. global strategy in the 1950s has been widely discussed by scholars. In addition to Harris and Nef, Stephen G. Rabe observes that the focus of U.S.-Soviet relations during Eisenhower’s administration was switched from the European and Asian battlefields to the Third World. The

geopolitical tension between the U.S. and the Soviet Union was compounded by the blazing nationalism and the soaring aspirations of Third World nations. Judging from this point, he suggests that a more thoughtful understanding of “Eisenhower’s leadership qualities, his commitment to peace and change and his place in history” could be presented until his policies towards the Third World are thoroughly studied.⁶⁶

Rabe’s work has raised attention to the field of Eisenhower’s policy towards the Third World; however, this suggests how Eisenhower and his leading bureaucrats conducted U.S. foreign policy to the emerging nations of the Third World. Since Latin America was part of U.S. global strategy, local national movements were often misunderstood as Soviet’s communism from the Kremlin’s conspiracy.

The Soviet effort in Latin America was demonstrated in Nikolai Bulganin’s presentation on 16th January 1956 to “expand diplomatic, economic, and cultural relations, extend technical assistance, and conclude trading arrangements with Latin America nations”. Rabe’s analysis of the SEO was tension of release from Moscow politics to seek peaceful coexistence with the West; meanwhile, new Soviet tactics aimed to gain “allegiance of Asian, African, and Latin American peoples”. Utilizing the NSC 5613/1, Rabe has identified that the Soviet intentions were not simply driven

⁶⁶ Stephen G. Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America* (Chapel Hill: NC, 1988), p. 2.

from economic or trading benefits but from strategic considerations to alienate traditional U.S. alliances from U.S. global hegemony. He developed the theme based on the U.S. global strategy of anticommunism, demonstrating that “closer relations between the Soviet Union and Latin America are against the security interests of the United States”.⁶⁷ In my analysis, Rabe’s work has little engagement with the theme but it suggests additional lines of future study on the SEO.

Bevan Sewell has found that Rabe and James Siekmeier have understated the importance of the Soviet efforts in the Third World. The existing literature regarding the impact of the SEO on the U.S.-Latin American relations has been scarcely discussed in their respective works. Sewell explained why the Soviet’s offer to Latin America was downplayed. First, because the Soviet industrial manufacturing was poor in quality and the unpleasant political effects after Khrushchev’s secret speech in February 1956 made the Soviet offer somewhat unpopular, the initial Soviet offer went away soon. Second, the U.S. policy-makers did not take the Soviet offer into account for immediate policy adjustment. Sewell interpreted the SEO as a crucial moment to see whether the Eisenhower administration should adjust its economic

⁶⁷ *Ibid.*, pp. 90-91.

foreign policy towards Latin America in response to the SEO.⁶⁸ Sewell has therefore filled in the gaps with relevant historiography and provided an insightful assessment of the SEO for the future course of inter-American relations.

Sewell has identified that the SEO was driven by power contestation for the leader of the Soviet Union in the Kremlin, rising power of Mao's Chinese government in the Communist bloc and changing characteristics of East-West tensions in the Cold War, with the latter presenting the most far-reaching consequences. Sewell concluded the Third World has increasingly become the focus of the Cold War by 1955 since U.S.-Soviet competition in Europe tended to be more stable in 1945. With Khrushchev's consolidation of power in the Kremlin, Khrushchev took a more proactive approach in the Third World, attaching much importance of the Third World to world politics. Hence, the U.S. was compelled to reconsider the current policy towards the Third World from strategic and economic perspectives in response to the SEO.⁶⁹ In my assessment, the consequences of the SEO were successfully presented in Sewell's work that divides the historiography from short term impact and long term perspectives. Chapter Three identifies that the short term impact of the SEO triggers

⁶⁸ Bevan Sewell, "A Perfect (Free-Market) World? Economics, the Eisenhower Administration, and the Soviet Economic Offensive in Latin America," *Diplomatic History*, Vol.32, No. 5 (Nov., 2008), pp. 842-843.

⁶⁹ *Ibid.*, pp. 841-842.

the debate over Mutual Security Act Funds and enlarges Congress's participation in the foreign aid programme. Mikoyan's visit to Cuba (Chapter Five) demonstrates the long term impact of the SEO.

Robert J. McMahon, who is a leading scholar of Cold World history, started from the same ends of the strategic security perspective as Sewell, but emphasized U.S. reconceptualization of the Soviet threat. McMahon and Sewell both agreed the far-reaching impact of the SEO; however, the former conducted an in-depth investigation into the implications of the SEO for U.S. security subject to policy shift in the Soviet priorities. McMahon summarised different schools of Cold War historians. The traditional school of scholars interpreted East-West tensions in the early Cold War as a resultant of struggle over Europe. As a result, they seemed to neglect the non-Western World. Revisionist scholars, such as Joyce and Gabriel Kolko, emphasized the shifting focus towards the Third World served the best interests of U.S. global hegemony because of strategic domination to the markets in the emerging nations. Melvyn P. Leffler represented the moderate school, arguing that the Third World attention to U.S. hegemony stemmed more from strategic than from economic concerns, the priority of which is shaped by South East Asia and the Middle East.

McMahon's assumption was built primarily on Leffler's argument.⁷⁰

McMahon gave a very detailed analysis of continuity and change in U.S. foreign policy after Stalin's death in March 1953. The Soviet premier, Georgi Malenkov, was in effective control of Soviet foreign policy. On 15th March, he delivered a message to the Supreme Soviet that "there is no litigious or unresolved question which could not be settled by peaceful means on the basis of the mutual agreement of the countries concerned...". The presentation of peace offensive aimed shortly to mitigate security tensions with European countries, even with the U.S. Eisenhower's administration was sceptical about Malenkov's rhetoric and motives in Soviet Union behaviour. Intelligence experts in the White House confirmed the Soviet Union would continue a Stalinist approach by the late spring of 1953 after Malenkov was away from the Kremlin's corridors of power. The peace offensive existed for a short time. It was not until 1955 that the Soviet Union launched a series of diplomatic initiatives towards the uncommitted areas in the Third World. Khrushchev moved beyond Stalin's 'two camps' context, allowing some room for neutrality in the Cold War.⁷¹

⁷⁰ McMahon, *op. cit.*, pp. 594-595. * Revisionist school in Cold War history domain is different from those in public administration domain which I have mentioned in page 2. It directly refers to Robert J. McMahon and Melvyn P. Leffler.

⁷¹ *Ibid.*, pp. 596-600.

Bulganin's economic offensive in 1956 was a derivative of Khrushchev's diplomatic offensive within the narrative of peaceful coexistence. Jawaharlal Nehru in India and Gamal Abdel Nasser in Egypt were highly receptive to the SEO which made South Asia and Middle East hotspots under its inducements. Soviet intentions were to neutralize the U.S. global hegemony and challenge U.S. 'trade and aid' policy. McMahon's analysis of the SEO was limited, to say nothing of covering Latin America. His contribution to the current literature is based on his in-depth analysis of the Soviet threat that potentially bears the Third World's relevance to U.S. security. It is the different conceptualization of Soviet threat that triggers a series of policy debates. U.S. fears served as "an expedient tactic employed by cynical officials seeking public, congressional, or bureaucratic support for a particular set of policies".⁷²

Burton I. Kaufman is a pioneer scholar who contextualizes Eisenhower's response to the SEO highlighted by the rise of nationalism in the Third World (such as historical significance of the Bandung Conference by its outcomes). The SEO did present the only cause of foreign aid reappraisal by the U.S. His analysis of the SEO did not particularly concentrate on Latin America but presented a wider understating of

⁷² *Ibid.*, pp. 602- 605. p.612. p. 617.

fervent nationalism in the face of the SEO. The U.S. was compelled to rethink its foreign aid policy as a consequence of Richard Nixon's trip to Latin America. Kaufman also emphasized the role of U.S. Congress over the conduct of foreign assistance policy in the Eisenhower administration.⁷³ I think Kaufman's focus on U.S. Congress situates my argument in Chapter Three, developing Congress's concern for Latin America. In examining whether the SEO caused a fundamental change in U.S. foreign policy, I also offer some case studies in order to demonstrate that the U.S. has to combat local 'political alliance' - one kind of Latin American nationalism - in dealing with Latin American countries rather than the SEO.

The Irony of Global Hegemony: Modernization and Pan Americanism

Eisenhower exhibited much complacency about his foreign policy towards Latin America by 1958.⁷⁴ Scholars of hegemonic stability appreciated the symbiotic relationship between world stability and single preponderance of power. Charles P. Kindleberger presented the central idea behind hegemonic stability theory as being globalized economic institutions. However, he proposed that the instability in the system lies in the absence of a world leader to stabilize the world economy through a

⁷³ Burton I. Kaufman, "The United States Response to the Soviet Economic Offensive of the 1950s," *Diplomatic History*, Vol.2, No. 2 (April, 1978), pp. 153-165.

⁷⁴ Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America*, p. 100.

close examination of World War I, World War II and the Great Depression.⁷⁵

Ironically, Eisenhower's claim of stability in the late 1950s failed to appreciate latent instability after the Buenos Aires Economic Conference in 1957. Latin American requests for a regional approach have been unsolved since Eisenhower took office in 1953. What's worse, Nixon encountered a near-death experience during his visit to Latin America.

Eisenhower's Latin American policy came under sustained geopolitical tensions despite the narrative of hegemonic stability. However, scholars of hegemonic stability did not engage much with regional instability upon the global stability. It is my contention that the maintenance of global balance of power paves the way for being a hegemon. If there is a difference between seeking global balance of power and maintaining hegemonic domination, I shall say the former suggests the prolonged process of power struggles between the U.S. and the Soviet Union characterized by sporadic skirmishes but the latter associates with the idea of definite control over other territories and peoples. In the 1950s, seeking global balance of power is desirable but intertwined with the rise of nationalism in the Third World. Hence, hegemony should be considered as an ultimate goal; however, the way to hegemony is

⁷⁵ Charles P. Kindleberger, *the World in Depression, 1929-1939* (California: University of California Press, 1986), p. 269. p. 290.

replete with competing national narratives in the Third World, implying potential instabilities in the Cold War era.

With the rise of leftist nationalism in the 1950s and 1960s, liberal bureaucrats perceived modernization theory as an optimal means to orient nationalism in the Third World countries towards “stable, capitalist, pro-Western anticommunist nations”. According to James F. Siekmeier, modernization theorists envisaged a final emergence of a middle class to take the lead in creating stable environments for trade and investment, which bring about stability in the Third World. Meanwhile, Siekmeier contended that the origins of modernization had a connection with the aftermath of World War II. The Soviet Union and the U.S. had their respective economic developments, notably capitalism and socialism. Most underdeveloped nations could not plan out an economic project for social progress, which likewise made them rely on either route of development theories.⁷⁶

Soon after World War II, Truman proposed the Point Four Program to counter the infiltration of communism which emphasized that U.S. “scientific advances and

⁷⁶ James F. Siekmeier, *Latin American Nationalism: Identity in a Globalizing World* (London: Bloomsbury Publishing Plc, 2017), pp. 134-135.

industrial progress” will help the social transformation in the underdeveloped areas.⁷⁷

The Marshall Plan epitomized the concept particularly for Western European economies but presented as a smaller foreign aid program than that of the Point Four Program. David Ryan said that “development through modernization theories provided a conceptual framework, which reinforced acceptance of U.S. economic penetration of the post-colonial economies”.⁷⁸ Fundamentally, Eisenhower’s initial conception of ‘trade not aid’ was a derivative of the Point Four Program.

Walt Whitman Rostow’s work, *The Stages of Economic Growth: A Non-Communist Manifesto*, explained every society must pass five different stages of progress through a linear economic model.⁷⁹ Rostow’s materialistic approach does not explain how each stage shifts from one to the other. Although he has outlined the characteristics of each stage, he does not clarify the issue as to whether the successive stage takes place in sequence as the history proceeds. Michael Latham has found that the assumptions relied much on Western values, capitalist economy, technological improvements and societal progress. Driven by a set of universal ideas, the generalization does not fit in

⁷⁷ *Department of State Bulletin*, January 30, 1949, p. 125.

⁷⁸ David Ryan, *US Foreign Policy in World History* (London: Routledge Taylor & Francis Group, 2000), p. 142. pp. 156-157.

⁷⁹ Walt Whitman Rostow, *The Stages of Economic Growth: A non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960), pp. 4-6.

every Latin American nation as it lacks empirical studies.⁸⁰ According to C.E. Black, he proposes modernization was the “process by which historically evolved institutions are adapted to the rapidly changing functions that reflect the unprecedented increase in man’s knowledge, permitting control over his environment”.⁸¹

All scholars have already raised the scholarly inquiry of the validity of the modernization paradigm. Black has given attention to how historical context influences mankind’s thoughts and behaviours that reflect social patterns during the social progress. Latham’s work reflected how the underlying collection of Western experiences motivated by ideological impulses capsule into the modernization theory. They all acknowledged the theoretical deficiency in Latin American historical and cultural grounds but none of them has identified how economic globalization has impacted the regional development, changing the social mobility, merging class fractions and reshaping the class system.

Modernization theory, a linear economic model, increasingly became problematic during the Buenos Aires Conference in 1957 since it did not fully recognize the

⁸⁰ Michael Latham, *Modernization As Ideology: American Social Science and “Nation Building” in the Kennedy Era* (North Carolina: The University of North Carolina Press, 2000), p. 4.

⁸¹ C.E. Black, *the Dynamics of Modernization: A Study in Comparative History* (New York: Harper and Row Press, 1966), p. 4.

enduring tension in U.S.-Latin American relations over economic development. First of all, Eisenhower's free trade policy came under domestic pressure from the U.S. and mining industries, pushing the administration to increase tariffs on lead and zinc. Secondly, Latin American nations expected that the U.S. could stabilize commodity prices and create an Inter-American Development Bank for Latin American nations. Latin American requests for a Marshall Plan have been framed in inter-American relations since Eisenhower took office as president in 1953 but the U.S. imposed tariffs on zinc and lead in response to Latin American nations.

Some liberal bureaucrats had considered a more generous economic policy towards Latin America. Thomas Tunstall Allcock pointed out that the scholarship has paid less attention to the change of "senior personnel in the State Department's Offices of Inter-American Affairs (ARA) and Economic Affairs". Roy R. Rubottom, Thomas C. Mann and Douglas Dillon were newly assigned to more senior levels in the State Department after Humphrey was succeeded by Robert A. Anderson. Allcock has widened the focus of analysis for U.S. policy towards Latin America in the late 1950s to understand the driving forces that challenge Eisenhower's 'trade not aid' policy by emphasizing the influence of second-tier bureaucrats. The second-tier bureaucratic approach was supplementary to the mainstream analysis of first-tier bureaucrats (the

president and cabinet-level advisers).⁸² From my perspective, Allcock's analysis provided great insight into Allison's bureaucratic approach to elaborate the transition from 'trade not aid' to 'trade and aid'.

When returning to Washington, Rubottom, Mann and Dillon became much more active in promoting new economic initiatives with more public funds through different channels. Except for Mann's particular interest in commodity stabilization agreements, Rubottom and Dillon's economic initiatives did not depart from Dr. Milton Eisenhower's recommendations to the current Latin American policy. Even though tipping the balance in favour of developmental funds at the secretary level, they soon found they had no authority to do this. However, they were much more supportive of such an economic initiative when the government was prepared to move. They were concerned private investment alone might compound hemispheric relations, which is insufficient to meet economic development in Latin America. The belief in the rethinking of U.S. policy circulated widely in bureaucratic politics soon after the Buenos Aires Conference.⁸³

⁸² Thomas Tunstall Allcock, "The First Alliance for Progress?: Reshaping the Eisenhower Administration's Policy toward Latin America," *Journal of Cold War Studies*, Vol.16, No.1 (Winter, 2014), p. 86. p. 88.

⁸³ *Ibid.*, pp. 95-98.

Latin American discontent with U.S. foreign policies continued to grow representing great violence during Nixon's visit to Latin America and Juscelino Kubitschek's concept of Operation Pan America. In March 1958, Nixon was beset by anti-American leaflets in Lima and assaulted by hostile masses who "widely publicized attack on his motorcade in Caracas", maliciously spitting on Nixon and his wife. The incident also brought about "a panicked dispatch of additional U.S. forces to Caribbean bases". The outcome of Nixon's trip aroused an echo in the Brazilian President's call for a pragmatic approach from Latin America to re-define its economic scope of cooperation with the U.S. Therefore, Eisenhower's approach received much criticism. *The New York Times* criticised U.S. policy-makers' inability to meet political realities; Lyndon B. Johnson, who was the Leader of Senate Majority, deplored the "neglect of our close neighbors to the south".⁸⁴

Sewell's appraisal of Nixon's trip to South America challenges the school of Eisenhower revisionists who consider Eisenhower as an effective leader who was aware of what to achieve by means of his advisory machinery. Clearly, Eisenhower's policies did not get to the bottom of it; it was Anti-Americanism.⁸⁵ Max P. Friedman

⁸⁴ *Ibid.*, p. 99.

⁸⁵ Sewell, "A Perfect (Free-Market) World? Economics, the Eisenhower Administration, and the Soviet Economic Offensive in Latin America," *Diplomatic History*, p. 865.

added that “yankeephobia” was a distinct challenge to U.S. foreign policy towards Latin America by the end of 1958.⁸⁶ In Chapter Four, I use the concept of economic sovereignty when the trend of globalization was taken up. The historiography on U.S.-Latin American relations has contributed to the concept of economic sovereignty to define the different levels of cooperation. The growing recognition of sovereignty, especially in the process of integration, is characterised by due jurisdiction to sovereign states to decide and execute policies. I will evolve this with discussion of the Calvo Doctrine to build up an analytical framework serving as a link between U.S. globalization and Latin American nationalism.

Economic Globalization: Cuba as a Confrontation of Economic Sovereignty

To grasp the intersection between U.S. globalization and Latin American nationalism, Cuba represents a successful case to counterbalance U.S. economic domination. Chapter Five will concentrate on Cuba which explains political and economic clashes between U.S. cooperation and the Castro government. Globalization is characterized by multifaceted aspects such as history, economics, military and culture. The economic globalization, though not representing the whole characteristics of the globalization process, undoubtedly affects local economic policy. Economic

⁸⁶ Max Paul Friedman, *Rethinking Anti-Americanism: The History of an Exceptional Concept in American Foreign Relations* (New York: Cambridge University Press, 2012), p.147.

globalization also reflects close networks of interdependence in the global economy as a consequence of the increasing inflows of investment and trade. I will deepen the concept of economic sovereignty in Chapter Five to demonstrate how Castro regained autonomy over the scope of economic activities in the context of economic globalization.

The pros and cons of globalization have triggered a scholarly debate. The most conspicuous pros of globalization try to emphasize the positive side of economic interdependence by the increasing flow of trade and financial capital across the border; however, sceptics are worried about erosion of national economies being exploited by the privileged few. The latter places its impact on an individual sovereignty and limits of autonomy and thus the central focus should be nation-states. As historical evidence shows, the gold standard era denotes a closer international economic interaction but the world economy becomes less globalized from the central focus of the 'nation-states' perspective to accentuate local political legitimacy and powers.⁸⁷ As a result, economic globalization has a dual effect.

⁸⁷ David Goldblatt, David Held, Anthony McGrew and Jonathan Perraton, "Economic Globalization and the Nation-State: Shifting Balances of Power," *Alternatives: Global, Local, Political*, Vol.22, No.3 (July-Sept., 1997), pp. 269-270.

William Robinson provides a great insight into social and development change in Central America, with particular emphasis on the role of emerging transnational capitalists in the age of globalization. His claim that transnational processes will happen if national and regional economies can be integrated is based on a neo-Marxist perspective of global economy.⁸⁸ However, social structure combined with the inflow of capital liberalism at the stage of ‘pre-globalization’ might “displace some classes like peasantries and artisans”. For this reason, class restructuring is one of the characteristics that concur with the global economy; that is to say, new classes will come into being because of the merge of class fractions in the socioeconomic structure presented in Central America. In the transnational process, national interests in Central America respectively might diverge from or converge on the capitalist system, and thus the local politics would experience a distinct level of regime change from authoritarian polity to democratization.⁸⁹

Robinson’s proposition intended to prove that global capitalism determines the transnational processes in which Central America has little political lever against the global capitalist system dominated by the U.S. Therefore, Central America supplied

⁸⁸ William I. Robinson, *Transnational Conflicts: Central America, Social Change and Globalization* (London: Verso Book Press, 2003), pp. 56-57.

⁸⁹ *Ibid.*, pp. 65-67. p. 72.

labour forces under the global context of capitalist production. This approach described the globalization as potent influences in Central America but did not demonstrate the increasing level of the sovereignty in Latin America. The globalization has much to do with the nationalism because the latter might refuse the former connectivity by any means if the national leader becomes intransigent, strengthening the concept of the sovereignty. In Chapter Five, I will explore how Castro aligned himself with local anti-U.S. sentiments under the non-intervention principle and regained economic autonomy against U.S. globalization.

Cuba was without doubt one of most conspicuous cases in Central America for contending its sovereign territory beyond political, economic and military considerations of U.S. domination. Franklin W. Knight focuses on larger political groupings in Caribbean history, arguing that the Caribbean identities from colonial rule experienced political statehood prior to a cultural nation-building process.⁹⁰ Speaking to Cuba, Knight summarized Cuban history into three periods: the late colonial period, ending in 1898; the period of republican independence between 1902 and 1959; and the Castro revolution that replaced it after 1959". Knight's analysis of

⁹⁰ Franklin W. Knight, *The Caribbean: The Genesis of a Fragmented Nationalism*, 2nd ed. (New York: Oxford University Press, 1990), xv.

Cuban development follows an extensive chronological trajectory.⁹¹

Knight discussed the interaction between technological changes and the sugar industry.

The sugar industry was booming in Cuba during the nineteenth century. Technological improvements by 1840 catalyzed the sugar revolution which drastically changed the socioeconomic structure; meanwhile, the emergence of new classes, such as slave owners, was fervently interested in the sugar business which as such upgraded their social status in the middle of the eighteenth century. From 1902 to 1959, Cuba was independent but its government operated under the influence of U.S. economic and political networks in Cuba. Finally, Knight said economic discount was not a main factor resulting in Batista's fall in 1959; however, he explains Cuban nationals had tolerated "illegitimate governments, corrupt politicians, and a system apparently incapable of regenerating itself". Thus, the Cuban revolution was confusion.⁹²

In my analysis, the Cuban revolution was not a state of confusion between idealism and pragmatism. The revolution indeed reflected Cubans' aspirations for the actual attainment of sovereignty. As a result, I will continuously utilize the concept of economic sovereignty to demonstrate gradual attainment of autonomy under the

⁹¹ *Ibid.*, pp. 230-231.

⁹² *Ibid.*, pp. 231-240.

Castro government. According to Paschal Donohoe, the main components of sovereignty are: capacity (a state or political leader has ability to make decisions in national issues), supremacy (a state has the sovereign authority, absolute power and final say on all national issues) and territorial rule (jurisdiction over the territories where rulers and inhabitants dwell). Economic sovereignty is the demonstration of absolute sovereignty over economic activities, reflecting economic control and independence from any external force.⁹³

Castro's gradual regain of economic sovereignty springs from Washington's neglect of the anti-Batista forces in Cuba. In this regard, Gaddis Smith argues that U.S. influence in Cuba has been legitimately codified into the Platt Amendment. In fact, Washington was obsessed by global balance of power and "did not pay much attention at first to the anti-Batista revolutionary band organized by the young Fidel Castro". As a consequence, Cuba's policy was largely conducted by the State Department from 1957 to 1958, in particular in the hands of ambassador to Cuba, Earl T. Smith. The Department's assessment was not to a point which delinked Castro's relevance with Moscow. The Department's assessment contributed to the overall argument of the book - the Monroe Doctrine serves as a legitimate claim of U.S. sphere of influence in

⁹³ Paschal Donohoe, "Economic Sovereignty and Our National Question," *Studies: An Irish Quarterly Review*, Vol.102, No.405 (Spring, 2013), pp. 21-22.

the Americas but denies any sphere of influence into the area. Castro's role was not a pressing priority of Eisenhower's agenda.⁹⁴ In Chapter Five, I assume that the non-intervention principle advocated by the State Department facilitated the growth of Castro's nationalism and thereby strengthened Castro's power to regain the economic sovereignty in Cuba.

Chapter Outline

The thesis utilizes Eisenhower's staff structuring as a theoretical analysis throughout all chapters, with a particular emphasis on the importance of leading bureaucrats. Eisenhower's advisory machinery could be described as a conglomeration with strategic, political, economic and military objectives. However, it is essential to re-examine whether these were achievable in the Cold War context. I, for that reason, combined extensive reading of scholarship with examination of primary documents of the Foreign Relations of the United States (FRUS) volumes with the expectation of presenting a new interpretation of Eisenhower's foreign policy towards Latin America, which is of contemporary as well as historical importance.

Chapter One builds an analytical framework of the thesis from the current literature

⁹⁴ Gaddis Smith, *The Last Years of the Monroe Doctrine 1945-1993* (New York: Harper Collins, 1994), pp. 91-94.

review. Starting from the revisionists' argument that Eisenhower was in effective control of his foreign policy mechanism, implicitly exercising his presidential power, coupled with the existing historiography in the Cold War, provides a wider focus of U.S.-Latin American relations. The U.S. was too preoccupied with the global struggle for balance of power to consider the fundamental difference between nation and nationalism in Latin America. Eisenhower's advisory machinery tried to accommodate differences in foreign policy objectives towards Latin America in order to maintain U.S. hegemony.

Chapter Two focuses on the formation of U.S. foreign policy towards Latin America in 1953 and onwards, identifying how national security and economic development of Latin America were placed under the U.S. foreign policy. It also explores the nature and implications of the policy-making process in which the leading bureaucrats took initiatives in shaping U.S. foreign policy towards Latin America. Cooperation or confrontation alternated while the U.S. bureaucrats tried to find the links between the threat of international communism and economic development. The combination of national security and private investment became problematic in the 1954 Guatemalan coup d'état but other Latin American states such as Argentina and Bolivia were fed up with this façade of policy consistency.

Chapter Three is themed with the challenge of the SEO which was viewed as a more flexible tactic to relax tensions between the U.S. and the Soviet Union. Bulganin's offer did not result in a positive response in Latin America but caused bureaucratic debates over the current U.S. approaches towards Latin America. For the former, I deconstructed the theme of its immediate impact upon Mexico, Panama, Nicaragua, Venezuela, Brazil, Chile and Costa Rica. The cases try to demonstrate that the SEO would not restrain U.S. economic policy. For the latter, Eisenhower thought it expedient to advance military aid assistance to Latin America by addressing relevance to U.S. security. At the same time, the SEO expanded the role of Congress in the foreign aid program. The SEO indeed dichotomized U.S. foreign aid policy.

Chapter Four puts emphasis on the Buenos Aires Conference in 1957. This Conference presented unsorted economic issues from the Rio Conference in 1954 during which there was a cry for a Marshall plan for Latin America. Despite constant neglect of Latin America, Eisenhower's free trade policy also came under domestic pressure from mining industries, especially lead and zinc manufacturers. This also meant that Eisenhower's vision of economic interdependence to bring world peace became politically and economically problematic. Tariffs, normally supported by local protectionists, were detrimental to the free trade market, to say nothing of economic

integration. The U.S. had a great deal of autonomy for its own trade policies which motivated me to use economic sovereignty for wider understanding of Latin American nationalism which escalated tensions between the U.S. and other Latin American states.

Chapter Five is set against the backdrop of the Cuban Revolution in 1959. Cuba was extremely important because Fidel Castro, who was widely reckoned as a national leader of Cuba, successfully regained the Cuban political and economic sovereignty against U.S. globalization. Cuba was an independent state with no political and economic sovereignty. Washington's constant neglect of Cuba provided an opportunity for Castro to develop his leadership with a penitential vision to change the structural power in Cuba. The Agrarian Reform in 1959 and Mikoyan's visit to Cuba on a trade mission in 1960 denoted Cuba's economic independence from external constraints.

The conclusion provides an alternative explanation for the Eisenhower administration towards Latin America. The thesis has found that effective management of advisory machinery did not present appropriate decisions; what's worse, the leading bureaucrats at the Secretary level of the NSC misinterpreted Latin American

nationalism as communism. The fundamental problem resulted from Eisenhower's hierarchal structure of the NSC that allowed some Secretariats to dominate the policy-making process. The systematic inflow of advice from the second-tier bureaucrats did not carry much weight with the President and key figures of the Secretariat who were confined to the Cold War imperatives, much less to be implemented by the OCB. Eisenhower's foreign policy mechanism tried to achieve different foreign policy objectives simultaneously which resulted in bureaucratic conflicts meant to achieve what they considered best for Latin America.

CHAPTER TWO

Eisenhower's Initial Conception of Policy: Economic Development and National Security in Synthesis

The second chapter of this thesis proposes that the importance of military assistance to Latin America was overshadowed by Eisenhower's new framework for economic policy despite Dulles' initiatives to advocate the anti-communism agenda at the 10th Inter-American Conference in 1954. Based on Kaufman's assumption, the new economic approach considered U.S. private investment as the foundation of economic development in Latin America, which was in favour of further trade liberalization and the restoration of free convertibility of European currencies with the dollar. The economic prosperity of the free world must be built on the economic progress of the rest of the world.¹ This approach, envisaged by the leading bureaucrats as desirable outcomes of modernization, facilitated the process of cooperation as shown in Argentina and Bolivia while Guatemala presented as an example of confrontation as a result of unbending position on the agrarian reform in 1953. The U.S. rectified this by using covert action to orient the unbending nations toward the right track of

¹ Burton I. Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961* (London: The Johns Hopkins Press Ltd, 1982), p. 176. * The new approach aimed to bridge the dollar gap when the expansion of free trade and the increase of private investment prospered the European economy. It is the expansion of private capital that contributed to the economic development, not the repeated extensions of public capital from the U.S.

modernization.

NSC 144/1 was the first U.S. official document towards Latin America that covered various aspects of U.S.-Latin America relations, including the hemispheric solidarity to support U.S. world policy, the rise of nationalistic regimes, the emergence of nationalism caused by anti-American sentiments and communists, the strategic access to raw materials (oil, copper, lead, zinc, etc.), the economic development of Latin America, and ultimate military standardization.² In short, this document was the initial thoughts of bureaucrats towards national security concerns and economic development. The U.S. decision-makers would have to ensure that the economic nationalism would not stand in the way of currency convertibility of profits into dollars, and reparation to those who suffered from expropriation. Promotion of private investment in furtherance of a high level of international trade was the cornerstone of Eisenhower's economic policy.

However, this approach does not explain to what extent military security interrelated with economic development in Latin America from the second presidency of Truman to Eisenhower's first administration. Eisenhower's economic approach was not a

² Foreign Relations of the United States, the American Republics, "Statement of Policy by the National Security Council," in Historical Documents, *FRUS* 1952-1954, Vol. IV, March 18th, 1953.

single-lane-road and sometimes this was woven with the military aid program. The correlation between military security and economic development of Latin America was buried in the NSC 144/1. Despite the military standardization and the collective defence against external aggression,³ the fundamental issue was whether military standardization would be an obstacle to economic development in Latin America or not. There was a confrontation between U.S. Congress and the Executive branch about the military aid to Latin America. H. Alexander Smith, who was the Senator from New Jersey, expressed his views in a 1952 debate on the Senate floor:

Appropriation for fiscal 1953 should complete the capital equipment of Latin American forces required to fit into the hemispheric defense plans, and that thereafter we [the U.S.] shall be “over the hill” on capital investment, and will be able to fall back to the “maintenance level”.⁴

The statement further justified the position of Congress that there was no clear sign or need of increasing the level of military aid and it would be reduced down to a maintenance level in 1953. Regarding the hemispheric defence plans, the durability of military items in accordance with the Mutual Security Act (MSA) in 1954 ought to considerably fulfil the equipping stage of the program as currently designed. However, the military supply to Latin America was in a very slow process. George C. Stewart,

³ *Ibid.*

⁴ Michael J. Francis, “Military Aid to Latin America in the U.S. Congress,” *Journal of Inter-American Studies*, Vol. 6, No. 3 (Jul., 1964), p. 393. Francis cited in U.S., Congressional Record, 82nd, 1952.

who was the Director of the Office of Military Assistance, declared in 1953 that not so much progress had been made in respect to the military aid program to Latin America. From Stewart's viewpoint, the problem arose from the slow process in which the bilateral agreements had been in negotiations or approvals by either side. In addition, the administrative red tape was another difficulty involving lots of regulations in the process, which resulted in the slowness of military aid to Latin America.⁵ During the early years in the Eisenhower administration, there were two contradictory forces on the military aid program to Latin America. Congress recommended keeping the military aid to a maintenance level while the military expected more to be done on the program of military aid to Latin America such as improving the slow process in the bureaucracy.

On 16th January 1953, the Deputy Secretary of Defense, William C. Foster, reviewed whether the local currency had the minimum capacity to finance the Military Assistance Advisory Groups (MAAG) in Latin America in the fulfilment of the grant-aid military program. There were two criteria to expand Military Missions; one was on an accredited basis and the other was on a non-accredited basis. On an accredited basis, "it would cost the other country considerably more than it would if

⁵ *Ibid.*

the individual were assigned as a member of the MAAG”. On a non-accredited basis, all costs would be paid by the U.S. government rather than the Departments of the Navy, Army and Air Force. The incurring financial liabilities, under this basis, could not be financed through the Mutual Security legislation. The DOD, serving as an operational agency, would have “the means and personnel required to ensure proper performance of necessary functions” in the face of Congress pressures.⁶

Given the fact that the DOD’s dedications to military missions were limited to the maintenance level and the advisory role to provide military training and personnel was constrained by appropriate purposes of functions, military aid programs played a lesser role compared with economic development through the free trade framework. It is assumed that Latin American nations should commit themselves to developing economic development in lieu of procuring military equipment in excess of their economic capabilities to support. As Business Week reported in 1952, Eisenhower’s economic policy was labelled as ‘trade not aid’. This concept was developed by Banker Winthrop W. Aldrich and J.P. Spang, Jr., president of the Gillette Company. They indicated that “U.S. could save \$5,000,000,000 in foreign aid each year by

⁶ Foreign Relations of the United States, the American Republics, “The Deputy Secretary of Defense (Foster) to the Secretary of State,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, January 16th, 1953.

reducing only 600,000,000 of its tariff duties, thereby permitting aid recipients to achieve prosperity through increased American trade”.⁷

According to the NSC study on U.S. objectives and courses of action regarding Latin America on 6th March 1953, it has shown that some Latin American countries in past experience have demonstrated their interests in military equipment but often the military equipment is beyond their economic capabilities to support. For example, Latin America is replete with a shortage of dollars and their current status in international trade is likely to get worse. They expected that the U.S. could take initiatives to provide assistance such as loans and economic projects. The study has also confirmed that Latin American nations should have the ability for self-defence of their own territories. Furthermore, the military assistance to Latin America should be placed in line with the Inter-American Defense Board and other military agreements to which the U.S. is a party should be given by the U.S. It means the U.S. does not stimulate desires and give rise to an assumption on their part of implied commitments beyond U.S. capacity to fulfil.⁸ It is clear to perceive, perhaps safe to say, that U.S. bureaucrats considered the potential contradiction between the military aid program

⁷ Thomas V. DiBacco, “American Business and Foreign Aid: The Eisenhower Years,” *The Business History Review*, Vol. 41, No. 1 (Spring, 1967), p. 25.

⁸ NSC staff study on U.S. objectives and courses of action regarding Latin America. United States: National Security Council, 6 Mar. 1953. *U.S. Declassified Documents Online*, Web. 20 Nov. 2013.

and free trade framework. As a result, the U.S. could only provide very limited assistance with regard to the military aid program - apparently not accede to any current collective or bilateral agreement conditions.

NSC 56/2 issued on 18th May 1950 was one of the important documents with reference to the Inter-American military collaboration before Eisenhower took his presidency. The document ensured the U.S. strategic access to Latin America where major sea lines of communication, such as Curaçao-Aruba and Trinidad (oil reserves), Northeast Brazil (Straits of Natal-Dakar), Mollendo in Peru, Peru-Antofagasta in Chile and the Panama Canal, would need to be protected. They all served as a 'transit of strategic materials' and the sea routes, if seriously damaged or destroyed by Latin American communists, would cause instability. According to the NSC 56/2, Truman had set the basic guidance for military collaboration in July 1945. The U.S. role in providing the Inter-American military collaboration for collective security in the hemisphere was to "provide training in the U.S. for Latin American military personnel, participate in the making of combined joint plans for hemisphere defense, and to provide military equipment to the other American republics". The guidance was in line with the Mutual Defense Assistance Act in 1949 that authorized Truman to sell military equipment to Latin American countries based on their economic capacities

and the hemisphere defence.⁹ From 1945 to 1950, Truman's military approach was based on the collective defence in an attempt to reduce unnecessary military expenditures. Eisenhower's military aid policy in 1953 bore little difference to that of Truman from 1945 to 1950; namely, providing limited military training and equipment not beyond Latin American economic conditions to sustain.

The Economic Cooperation Act of 1949 and the Mutual Defense Assistance Act combined together and became the MSA in 1951. The Mutual Security Agency was an independent administration responsible for economic, military and technical assistance to all American allies. The MSA was composed of the DOD, the Economic Cooperation Administration, DOS, USDT and the Executive Office of the President, with the latter as the highest level of the organizational structure. However, the Mutual Defense Assistance Act had been interdepartmental because the DOD and the DOS were jointly involved in the preliminary legislation. The DOS was responsible for administrative works while the DOD was in charge of implementations. Congress would need to be informed prior to the enactment of the legislation to see whether it had any issue with the current plans for further appropriation or not.¹⁰ In 1951,

⁹ Foreign Relations of the United States, National Security Affairs, "Report by the National Security Council to the President," in Foreign Economic Policy, *FRUS* 1950, Vol. I, May 18th, 1950.

¹⁰ Robert H. Connery and Paul T. David, "The Mutual Defense Assistance Program," *The American Political Science Association*, Vol.45, No. 2 (June, 1952), pp. 341-342.

President Truman requested Congress to authorize \$38,150,000 for direct military assistance, and it added to \$51,685,750 in 1952.¹¹ Truman made good use of the MSA to centralize his role as a chief of executive in the conduct of foreign aid policy based on the bilateral basis. From 1951 to 1952, there was obviously \$13,535,750 increase in foreign aid allotment from Congress. Why did Truman centralize his presidential power in increasing grant aid programs?

Michael J. Francis has provided three points to explain the increase of grant aid programs in 1952 but why it did not happen in 1946 and 1947. First, the Korea War from June 1950 and the rising threat of the communist strengthened U.S. conception of collective defence. Second, the discussion of the MSA at the hearing, the Senate Foreign Relations and Armed Services Committee were held right in front of Congress, which “helped to popular the idea of U.S.-Latin American military cooperation”. Third, as far as the Mutual Security Act is concerned, Francis indicated that “the terms were tied to a bill that was certain to be passed in one form or another.... [so] the passage of the provisions is procedural”.¹² Francis also added that

¹¹ Fifth progress report on status of U.S. policy toward inter-American military collaboration. United States: National Security Council, 13 Sept. 1951. U.S. Declassified Documents Online. Web. 20 Nov. 2013. Implementation of U.S. policy toward inter-American military collaboration. United States: National Security Council, 18 Mar. 1952. U.S. Declassified Documents Online. Web. 20 Nov. 2013.

¹² Francis, *op. cit.*, pp. 391-392.

the MSA was different from the Economic Cooperation Act of 1949 and the Mutual Defense Assistance Act as it could precisely define the demand for military aid. As for the Inter-American Defense Board (IADB), there were no specific criteria to implement.¹³

By examining the historical background of the MSA, it is clear that military collaboration and the economic program buttress the defence capability of Latin America against the threat of communism. Truman's foreign aid program was exactly the manifestation of the containment policy; however, congressional cuts and increases of the appropriation for economic, military and technical assistance to U.S. allies depended on the interdepartmental relations, policy adjustment and global conflicts. The increasing pressure on the Executive Office of the President from Congress to reduce military aid appropriation was what Truman and Eisenhower experienced particularly during their respective first term. It suggests that the role of Congress represented as a cycle of political pressures against the Executive branch in the foreign policy domain. The larger a world conflict is, the less pressure the Executive branch would encounter. The crucial world conflict serves as an impulse for the President to balance military and economic aid. Eisenhower encountered

¹³ *Ibid.*

political pressures from Congress as Truman did but he tried to promote private investment in furtherance of free trade.

Possibility of Private Capital and Investment

The American investment in Latin America was enormous. The National Security Council on 6th March 1953 has shown the U.S. private investment in Latin America soared at \$4.7 billion that was \$1.2 billion higher than any other area (except Canada).

This figure (dollar investments) was record-breaking over the time span from 1947-49 and it was supposedly to grow more profits. There was a variety of businesses in Latin America such as “private loans, mining interests, sugar and banana plantations, railways, meat packing plants, public utilities, assembly plants and branch factories, land holdings, air, sea and other communications, and general business enterprises”.¹⁴

The statistics have shown that U.S. private business activities in Latin America accounted for a large portion of benefits. Dependence theorists might easily divide the world into ‘periphery’ (the underdeveloped) and ‘core’ (the developed) but this does not demonstrate how the developed states dominate the underdeveloped states and what Latin American societies look like.

¹⁴ Latin America, United States Objectives and Courses of Action with Respect to Latin America. Note by the Executive Secretary on United States Objectives and Courses of Action with Respect to Latin America, 6th March 1953. Annex to NSC 144. U.S. Declassified Documents Online. Web. 20 Nov. 2013.

One of documents annexed to the NSC 144/1 has shown that “the people of Latin America were becoming increasingly aware that 90% of the wealth of the Western Hemisphere (less Canada) was produced by one of the American republics - the U.S. - while 10% was produced by the remaining 20 American states”.¹⁵ Bevan Sewell has mentioned that the huge disparity was the root cause of popular resentment, with Latin American states being fermented with the ‘nationalism’ or ‘colonialism’.¹⁶ Eisenhower made it clear about his foreign policy objectives in his annual message to Congress on the State of the Union on 2nd February 1953. He perceived the trade and private investment as inseparable components to achieve economic integration. The following points were mentioned in his speech. First, he suggested customs regulations be reviewed such as whether the Reciprocal Trade Agreements Act (RTAA) should be adjusted by Congress or not. The framework of free trade could not jeopardize “domestic industries, agriculture, and labor standards”. Second, creating a friendly climate favourable for private enterprises can attract more private capital. Third, mutual defence could be achieved by strengthening “the economical production of manufactured” items overseas but this should not compete against U.S. regular production during peacetime. Fourth, expanding the exchanging net of raw

¹⁵ Sewell, “A Perfect (Free-Market) World? Economics, the Eisenhower Administration, and the Soviet Economic Offensive in Latin America,” *Diplomatic History*, p. 848.

¹⁶ *Ibid.*, p. 849.

materials could make up quantities the U.S. doesn't naturally possess.¹⁷

Eisenhower's conception of trade and private investment was essentialised in the NSC 144/1 but the U.S. has also recognized the existing nationalistic sentiment in the area. The document gave an account of the growth of the nationalism either "facilitated by historic anti-U.S. prejudices" or "exploited by communists".¹⁸ From my analysis, the document has shown a growing tendency to recognize Latin American nationalism as communist or anti-U.S. follower. Communism was a symbol representing a diversity of themes such as class revolution, socialized economy, and anti-imperialism. The NSC 144/1 did not identify the links between the U.S. trade policy and Latin American nationalism, nor did it explain the fundamental differences between the U.S. and Latin America such as history, culture, institution and identity. As a result, one could only have very superficial knowledge about Latin American nationalism.

As far as Eisenhower's economic policy is concerned, the NSC 144/1 set out the basic guidance, stating Latin American governments were "encouraged to recognize that the bulk of the capital necessary for their economic development could best be supplied

¹⁷ Annual Message to the Congress on the State of the Union, February 2, 1953; available from <http://www.presidency.ucsb.edu/ws/index.php?pid=9829>, accessed October 7, 2013.

¹⁸ Foreign Relations of the United States, the American Republics, "Statement of Policy by the National Security Council," in Historical Documents, *FRUS* 1952-1954, Vol. IV, March 18th, 1953.

by private enterprise and that their own self-interest required the creation of a climate which would attract private investment”.¹⁹ Based on the context, Latin American states were encouraged to take the initiative in creating a climate favourable for the inflow of private capital. The more private capital flowing into Latin America, the more extensive the business activities are supposed to be. In this regard, it will facilitate international trade and reduce the trade barrier or tariff issues within the RTAA. The International Bank loans and the Eximbank loans would be supplementary to foreign private investment. In addition, the U.S. would limit public grant programs in Latin America. For example, the Inter-American Highway and the Rama Road.²⁰

In examining U.S. trade and private investment policy, James F. Siekmeier has discovered the potential theme behind the economic perspective to understand Latin American nationalism. When the U.S. gradually evolved its policy with power in Latin America, conflicts seemed to be unavoidable. Thus, economic nationalism was the “clash of cultures between Latin America and North America”.²¹ His viewpoint highlights the nature of the conflict that provides a firm ground to develop the

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ Siekmeier, *Latin American Nationalism: Identity in a Globalizing World*, p. 15.

property rights approach.²² In this respect, nationalization is one of the most striking characteristics of economic nationalism as shown in the expropriation of the foreign oil company in Bolivia (1952), the expropriation of the United Fruit Company's (UFCO) properties in Guatemala (1953) and the Agrarian Reform Law in Cuba (1959).²³

Even though the cases involved the process of compensation, nationalist leaders and U.S. investors sometimes had different criteria for indemnity. The fundamental problem lies in different perceptions of public ownership and privatization. The U.S. viewed Latin America as an area for private investment while Latin American states regarded economic nationalism as a foundation for social development.²⁴ Based on the current scholarship, the role of the American government is crucial. During the process of compensation, did the American government carry much weight or exercise diplomatic mediation? Were there any independent Tribunal services that could provide impartial judgement on the compensation? Could the independent body put aside prejudices and make a fair decision agreed upon by both parties?

²² Jeremy Adelman, "Institutions, Property, and Economic Development in Latin America," in Miguel Angel Centeno and Fernando López-Alves ed., *The Other Mirror: Grand Theory Through the Lens of Latin America* (Oxfordshire: Princeton University Press, 2001), pp. 30-32.

²³ Siekmeier, *op. cit.*, pp. 17-18.

²⁴ *Ibid.*, p. 18.

Moving beyond the current scholarship, Latin America and the U.S. are different in many aspects. A report to the NSC by the Executive Secretary on 6th March 1953 had acknowledged that:

Despite divisive factors, there exists a sense of identity among Latin American States. This sentiment is based upon their comparable although not identical origins and languages, and upon their common religion, law, and processes of historical development.²⁵

From my observation, this report was annexed to NSC 144 but not presented in the NSC 144/1. This suggests that U.S. bureaucrats had recognized that Latin American states actually have a shared identity. The NSC 144/1 mentioned nothing about the concept of Latin American identity, much less its impact upon U.S. economic globalism. Readers may wonder why NSC 144/1 did not cover the concept of identity and how the President dealt with this information. This has much to do with Eisenhower's foreign policy mechanism and his leadership. According to Sloan, he indicated:

The President [Eisenhower] insists that conflicts be resolved before they reach his desk; he wants only to hear the consensus, not the discussion, of the staff... He expects communications to him to be in the form of neatly drafted, one page memos – which is probably one reason why he often shows little insight into the complex issues of the day.²⁶

²⁵ NSC staff study on U.S. objectives and courses of action regarding Latin America. National Security Council, 6 Mar. 1953. U.S. Declassified Documents Online, <http://tinyurl.galegroup.com/tinyurl/5wC9NX>. Accessed 12 Feb. 2018.

²⁶ Sloan, *op. cit.*, p. 296.

Sloan's statement can be verified during the 137th NSC meeting. The Under Secretary of State, Walter Bedell Smith, said that NSC 144/1 had been "prepared in some haste and represented a shotgun approach". The NSC 144/1 only presented general postures of bureaucratic positions based on the U.S. outlook for Latin America. Stassen, the Director of the Foreign Operations Administration (FOA), encouraged that Latin American businessmen improve their workers' conditions and take the lead in facilitating economic growth of their own countries. In connection to this argument, he also raised some concerns about how U.S. private investors are treated in Latin America. Humphrey commented on the NSC 144/1 on behalf of the USDT that the clause specifying the proposed program given to Latin America should be carefully scrutinized before the President approved it. Smith added that U.S. businessmen should pursue "contract management" which aims to minimise potential risks between labour, employers and Latin American states. This approach is "a more effective way of doing business profitably in Latin America without giving rise to the problems which so often resulted in nationalization".²⁷ Based on the 137th meeting discussion, bureaucrats perceived economic nationalism was a hindrance to the U.S. trade and private investment.

²⁷ Foreign Relations of the United States, The American Republics, "Memorandum of Discussion at the 137th Meeting of the National Security Council on Wednesday, March 18, 1953," in Historical Documents, *FRUS* 1952-1954, Vol. IV, March 18th, 1953.

According to the 137th NSC meeting, Eisenhower's approval did not mean any commitment to Latin America because this would require further review of the Federal budget and financing priority based on international and domestic politics. Robert Cutler said that "the President had been extremely pleased with the present report and was going to use some portions of it as the basis for his forthcoming Pan American Day speech".²⁸ Eisenhower presented the notion of America instead of individual Latin American nations, trying to appeal to every nation against nationalism. Eisenhower obviously set the tone for Latin American policy from a multilateral perspective that was an attempt to conflate or reconcile political, economic and cultural differences within the framework of common interests in America. In addition, Eisenhower reiterated that "private investment has been the major stimulus for economic development throughout this hemisphere".²⁹

Influence of Formal and Informal Mechanism

Eisenhower demonstrated his determination to reorganize the formal policy mechanism to supervise his economic foreign policy on 2nd May 1953 on the need to establish a commission. Eisenhower met his commitments to extend a year of the

²⁸ *Ibid.*

²⁹ President Eisenhower's address delivered at the Pan American Union in Washington, April 12th, 1953, *Public Papers of the Presidents: Dwight D. Eisenhower*, 1953, p. 173. p. 175.

RTAA which had been delivered on the Annual Message to the Congress on 2nd

February. As a result, he said that:

the proposed commission should be made up of members of the Congress appointed by the Vice President and the Speaker of the House, and members appointed by myself from outside the Congress. It should be representative of both major parties.³⁰

Moreover, Eisenhower reaffirmed that the commission should review the current legislative procedures and regulations to see whether they could buttress Eisenhower's economic policy in furtherance of international trade without jeopardizing domestic industries. In the Annual Message, the decreasing imports also signified dropping exports and this might cause a negative impact upon agricultural markets and various industries. Eisenhower perceived trade and private investment could reduce allies' reliance on grant assistance provided by the U.S. foreign aid program.³¹

According to the Congress on the Organization of Executive Branch for the Conduct of Foreign Affairs on 1st June 1953, Eisenhower acknowledged that the current executive branch did not have a specific administrative machinery to organize and

³⁰ Letter to the President of the Senate and the Speaker of the House of Representatives Recommending Establishment of a Commission on Foreign Economic Policy, May 2nd, 1953, *Public Papers of the Presidents: Dwight D. Eisenhower*, 1953, pp. 252-253.

³¹ *Ibid.*, pp. 253-254.

implement Eisenhower's economic policy. There had been no central command structure and accountability assigned by Eisenhower to administer a large number of foreign aid programs that had been spread across the executive branch. Eisenhower announced the Reorganization Plan No. 7 to centralize further foreign aid programs under Stassen's leadership and thereby established the FOA. The present Mutual Security Agency would be abolished and its duties would be transferred to the FOA. In the pursuit of technical assistance, the FOA would take over responsibilities from the DOS authority to administer the Act for International Development (AID) and American participation in various United Nations programs. The FOA would need to coordinate its efforts with the DOS and the DOD to perform military and economic programs.³²

The Randall Commission epitomized Eisenhower's vision of restructuring administrative machinery for foreign aid programs. The Commission was a positive response to Eisenhower's request to extend a year of the RTAA delivered on the Annual Message to the Congress on 2nd February and it was named after Clarence B. Randall, who was in charge of the Board of the Inland Steel Company of Chicago.

³² Special Message to the Congress on the Organization of Executive Branch for the Conduct of Foreign Affairs, June 1st, 1953, *Public Papers of the Presidents: Dwight D. Eisenhower*, 1953, pp. 343-345.

The Randall was an interdepartmental body with 17 members (5 members from the U.S. Senate, 5 from the U.S. House of Representatives, 5 political appointees and the President assigned a chairman and a vice-chairman).³³ A large number of bureaucratic viewpoints have been found in the Randall report and some bureaucratic viewpoints even conflicted with one another. The role of the Commission was more like the policy forum, open for discussion. The Randall Report did not go into details of study in Latin America; however, there were indeed some thought-provoking ideas.

Richard Simpson of Pennsylvania, Representatives Daniel Reed of New York and Senator Eugene Milliken of Colorado were ardent advocates of protectionism, with the latter presenting the most eloquent argument in the Commission. Milliken commented that U.S. domestic agriculture should be removed from the foreign policy domain. The U.S. should reduce the level of dependence upon importations such as zinc, lead and copper and tariff concessions could not be without reciprocal concessions.³⁴ Unlike Milliken, Messrs. Reed and Simpson set out an approach based on the U.S. position as the dominant economy. This approach pointed out that tariff was a basic factor in the U.S. economy, which ensured the "opportunity to develop

³³ Michael Barkway, "Mugwumpery in the Randall Report," *International Journal*, Vol. 9, No. 2 (Spring, 1954), pp. 125-126.

³⁴ *Ibid.*, p. 127.

productive facilities, products and markets within the U.S., in full and free competition with those whose standards of production, labor costs, and other cost and pricing factors were similar".³⁵ They insisted that flexible use of the tariff issue be viewed as the "bargaining advantage" when the U.S. government dealt with other nations. Supposing that the RTAA requires further extension, the time limit should be for "no more than two years, during which no changes in tariffs could be made without individual study by Congress". This would ensure that the U.S. industries could increase the tariff as a method of protection against "low priced foreign competition".³⁶

The two Congressmen put forward that "political and economic stability of other countries" were preconditions for convertibility. Giving more economic aid would not help currency converted into other liquid stores of value. Other nations were encouraged to adopt the international gold standard system.³⁷ Being the adviser to the Randall Commission from the Stanford Research Institute, Eugene Staley criticized that the report neglected the world's underdeveloped countries. Rarely did the Commission members mention any individual underdeveloped country or

³⁵ *Ibid.*, p. 129.

³⁶ *Ibid.*

³⁷ *Ibid.*, p. 130.

fundamental problems in the underdeveloped country. In tariff cuts, there was no specific explanation of the “peril point” at which import of that commodity would cause a seriously adverse effect on the local producers. In the framework of the RTAA, the U.S. would need to negotiate with Latin American countries to see in what conditions an “escape clause” should be applied.³⁸

In my understanding, the Randall report reflects different approaches to achieve economic objectives towards Latin America. Even though Eisenhower appointed members of the Randall Commission, he did not explicitly reveal his policy preferences in line with the specific bureaucrat, nor did he jump into the decision-making process to discuss the competing bureaucratic viewpoints. This highlighted Eisenhower’s third-person role in the Randall Commission; he was very reserved about his personal preferences. He acted more like an arbiter, who was inclined to use ultimate authority if bureaucratic disputes became out of control or domestic pressures were being imposed upon him.

In addition to the formal policy mechanism, Dr. Milton S. Eisenhower’s visit to South

³⁸ Klaus Knorr and Gardner Patterson, *A Critique of the Randall Commission Report* (Princeton, NJ: International Finance Section and Center of International Studies, Princeton University, 1954), pp. 62-65.

America on behalf of the President from 23rd June to 29th July 1953 was considered as a form of informal influence in the decision-making process. His findings were published in the *U.S.-Latin American Relations: Report to the President* in November 1953.³⁹ Dr. Milton Eisenhower's report to the President did not deviate from the basic principle of the Randall Commission; he recognized the importance of free trade and private investment. With regard to the trade, he said that U.S. trade with Latin America totaled \$3.5 billion in 1952. This figure has shown that Latin America was as promising a market as all of Europe. In addition, the U.S. private investment in Latin America accounted for 30% and "this investment of some \$6 billion is larger than the amount invested in any other part of the world except Canada".⁴⁰

Meanwhile, he suggested that the growth of nationalism was a sign of national pride, which demonstrated a popular desire to raise standards of living. From this point of view, the nationalism is positive. On the other hand, he acknowledged that 'ultra-nationalism', being fermented by communists, was a disadvantage to the inflow of U.S. private investment.⁴¹ Milton Eisenhower's assessment suggested the growth of nationalism might have a serious impact upon the entrance of private capital. His

³⁹ United States-Latin American Relations: Report to the President," *Department of State Bulletin*, Nov. 23, 1953, pp. 695-696.

⁴⁰ *Ibid.*, pp. 696-697.

⁴¹ *Ibid.*, p. 702.

preliminary research did not give an in-depth understanding of Latin American nationalism. Rather, his understanding of ‘ultra-nationalism’ referred only to the economic nationalism. The question raised here is that there were enormous variations in the forms of nationalism and Milton Eisenhower’s understanding was confined to the face value of ‘ultra-nationalism’. The simplification of his understanding also reflected his over-optimistic observation of cultural difference in Latin America.

According to the *U.S.-Latin American Relations: Report to the President*, Dr. Milton S. Eisenhower compared the U.S. cultural diversity to Latin American cultures saying that the U.S. cultural diversity was built by “sufficient common beliefs, allegiances, and purposes among all the people to make democratic cooperation effective ... Admittedly, the greater the differences in the cultures of nations, the more arduous cooperation becomes”.⁴² He mistakenly presented the culture of the Latin American countries in the following paragraph:

It is true, of course, that the culture of the Latin American countries has until recently been oriented primarily toward Europe. The leaders of our neighbors to the South came in great numbers from Spain and Portugal, but also in significant numbers from England, France, Germany, Holland, Italy, Ireland and other countries. For generations, many of them sent their children to Europe to be educated.⁴³

⁴² *Ibid.*, p. 699.

⁴³ *Ibid.*

This principle based on the U.S. experience also applied to Latin America because he falsely presented the Latin American civilization with the European orientation. As a result, the logic fallacy unavoidably contributed to inappropriate decisions because Dr. Milton S. Eisenhower's focus was on Latin American leaders rather than local Latin American nationals. If the U.S. bureaucrats only conceive partial or fragmented understanding of Latin American histories, the U.S. policy towards Latin Americans would not fit in political realities in Latin America.

Dulles' initiative to promote the anti-communist resolution at the 10th Inter-American Conference in Caracas from 1st March to 28th March 1954 was another example of the formal policy mechanism of the Inter-American system. The anti-communism resolution served as a metaphorical communication to Latin American nations that the U.S. was the world leader. Latin America, as a regional system subordinated to the global context, was considered as the extension of the American power to sustain its global leadership against the international communism led by the Soviet Union. Further evidence could be found at the 189th NSC meeting. Dulles revealed that anti-communism:

was an extension of the Monroe Doctrine to include the concept of outlawing foreign ideologies in the American Republics. Secretary Dulles had believed that if he secured general acceptance of the resolution the United States could operate more effectively to meet Communist subversion in the American Republics and

at the same time avoid the charge of interference in the affairs of any other sovereign state. In short, he argued that Communist subversion and subsequent control of any of the American Republics was tantamount to external aggression against such a Republic. Efforts, therefore, to counter such Communist subversion could not rightfully be described as American intervention.⁴⁴

Dulles' rhetoric has confirmed that Latin America was traditionally viewed as the sphere of American influence. The notion of the Monroe Doctrine is indeed not a static concept interpreted by Dulles; however, it is interpreted by policy entrepreneurs, infusing different ideas or meaning into it. For Dulles, the 10th Inter-American Conference was a great opportunity for him to politicise the communism problem and thereby advance the anti-communism agenda.

In fact, the economic issue was one of the Latin American concerns at the 10th Inter-American Conference, hoping that "the prices of raw materials and terms of trade, access to U.S. markets, and capital for economic development" could be on the agenda of the Caracas Conference.⁴⁵ The outcome has shown that the economic arrangements for Latin American nations were overshadowed by the anti-communism

⁴⁴ Foreign Relations of the United States, the American Republics, "Memorandum of Discussion at the 189th Meeting of the National Security Council," in Historical Documents, *FRUS* 1952-1954, Vol. IV, March 18th, 1954.

⁴⁵ Foreign Relations of the United States, the American Republics, "Memorandum by the United States Representative on the Council of the Organization of American States (Dreier) to the Assistant Secretary of State for Inter-American Affairs (Cabot)," in Historical Documents, *FRUS* 1952-1954, Vol. IV, January 5th, 1954.

resolution. This has proved that the U.S. foreign policy towards Latin America during the Eisenhower administration interlaced economic development in Latin America with the U.S. national security agenda, but how much of a priority economic development or national security should be given depended on the context and bureaucratic dedications.

With Eisenhower, Nixon and Humphrey being present at a Cabinet Meeting on 26th February 1954, Dulles presented his strong stands against the communism even though he had recognized Latin American needs for economic assistance. The significance of this meeting revealed that Dulles perceived communism as “an international conspiracy” rather than as “an indigenous movement”. Meanwhile, he reassured the economic assistance might be given to Latin America yet “no action should be taken with regard to wool imports until Congress acts on the pending Presidential proposal and that no attempt would be made to establish controls over the price of coffee”.⁴⁶ Eisenhower did not even say a word about Dulles’ anti-communist resolution, much less oppose his proposal. In addition, he considered that nationalism and communism was different. The communism defined by the White House was the

⁴⁶ Foreign Relations of the United States, the American Republics, “Minutes of a Cabinet Meeting, Held at the White House, 10:10 a.m., February 26, 1954,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, February 26th, 1954.

“subversive activities” potentially infiltrated by the Soviet communism, not the local nationalism.⁴⁷

The problem with the U.S. foreign policy was that the White House recognized the fundamental differences between the Soviet communism and the indigenous movement but Latin America was often treated as an area of Soviet infiltration. In reaching to Dulles’ anti-communist resolution, which has been made on the balance of probabilities, I note two important points. First and foremost, the area is taken into U.S. national security concern when the U.S. and Latin America collide, especially in the economic domain. Second, Latin American nationalization triggers a series of debates on compensation but failure to pay reasonable indemnity escalates into economic conflicts. Then, the communism agenda is fermented into the political domain when the economic disputes arise. As a result, the communism issue is highly politicized by the leading U.S. diplomats. My generalization closely corresponds to the property rights approach that could be developed in Argentina, Bolivia and Guatemala. Argentina and Bolivia fit in the paradigm of cooperation; however, Guatemala fits in the paradigm of confrontation.

⁴⁷ Foreign Relations of the United States, the American Republics, “Memorandum by the Assistant Secretary of State for Inter-American Affairs (Cabot) to the Acting Secretary of State,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, February 10th, 1954.

Argentina

As an ideological construct, Perónism was based on the grassroots forces from the emerging working class. A series of social reforms aimed to incorporate urban working class and rural poor inhabitants into an inclusive society. There was mass migration of over a million people from the deprived places to Buenos Aires in the 1930s and 1940s. These migrants were longing for employment but most of them undertook low-skilled work such as in factories and meat-packing plants.⁴⁸ The rise of popular support from the working class formed a political power and became the new cornerstone of the Argentine identity. In analysing Perón's political discourse, Deborah L. Berhó offers metaphorical understanding of Perón's speeches. "Politics is work" found an echo in the most working-class stratum of Buenos Aires, with some notable expressions like:

*El bienestar, la abundancia, y aún la felicidad del pueblo, no es obra de un gobierno ... sino el producto de la acción del pueblo mismo. [The well-being, abundance, and even the happiness of the people are not the work of the government ... but the product of the action of the people themselves] and ... la renta del país es producto del trabajo ... [... the country's profits are the product of work...]*⁴⁹

Working-class people harbour their identification with the national development

⁴⁸ Deborah L. Berhó, "Working Politics: Juan Domingo Perón's Creation of Positive Social Identity," *Rocky Mountain Review of Language and Literature*, Vol.54, No. 2 (2000), p. 65.

⁴⁹ *Ibid.*, p. 72.

impelled by the metaphorical expressions. This is indeed the driving force to shape the Argentine identity and thus to strengthen Perón's political power. In the 1946 presidential election, Perón won the presidency due to the popular support from the working-class people. Perón's two national objectives, social justice and economic independence, were the political calls for populist politics. The *Instituto Argentino para la Promocion del Intercambio* (IAPI) was a good example of state control trade network where the traditional farmers sell agricultural commodities to the IAPI. Next, the IAPI collect the agricultural products and sell them overseas. The revenues will be used in the specific state-sponsored enterprise and national development and the political technocrats will take the lead in achieving modernization. Peron identified himself as a 'Third Position' between capitalism and communism; however, economic statism was a clear contour of local nationalism.⁵⁰

Perón's statist approach also triggered a bureaucratic conflict between the IAPI Director, Miguel Miranda and the Minister of War, General Humberto Sosa Molina. Sosa Molina's faction represented one of the centrifugal forces on the implementation of state-control economy within Perón's inner circle. The 41st U.S. ambassador to

⁵⁰ Glenn J. Dorn, "'Bruce Plan' and Marshall Plan: The United States's Disguised Intervention against Peronism in Argentina, 1947-1950," *The International History Review*, Vol. 21, No. 2 (Jun., 1999), p. 332.

Argentina, James Bruce and his assistant, Guy Ray, found that the 'moderate' Perónist might tilt the balance in Truman's non-intervention's favour. Unlike his predecessor (Braden), Bruce did not want to launch a public attack on Perón that might lead to accusation of intervention by the Argentines. Bruce's tactic was to use the Argentine military man such as Sosa Molina to alienate Miranda from Perón's main coalition since he contemplated that a public attack on Perón would not result in the downfall of statism but facilitate a nationalist backlash. Hence, the 'Bruce Plan', as labelled by British journalists, was to undermine the IAPI that might call for the nationalization of the Standard Oil Company in December 1947 and to provide small arms sales to the military as a sign to strengthen relations with the Argentine Army that might possibly trigger a political pressure to isolate Miranda from the central Perónist. Miranda was formally discharged from his position from the end of January 1949. Perón's decision to appoint Bramulgia after Miranda and Maroglio accentuates his flexible application on the statist economic approach.⁵¹

The essence of Perónism in the economic aspect intensified the notion of government intervention in managing economic resources that came to be the incarnation of the New Deal legacy during the Franklin D. Roosevelt (FDR) administration. However,

⁵¹ *Ibid.*, p. 336. pp. 341-344. pp. 347-348.

his modification of the statist economic approach should not have been likened to the New Deal policy because of the different social context. Ernesto Semán provides insight into political leadership, arguing Perón is a political opportunist who “would claim any identity that he considered politically profitable at the time”. To understand Perónist identity, the New Deal indeed presented some concepts such as “freedom, government intervention, some forms of subordination of property rights”.⁵² Perón’s statist approach turned out to be a pyrrhic victory for the Argentines since the agriculture-based economy could not be transformed by increasing public work projects. This would definitely incur unnecessary governmental expenditure. Other than that, the New Deal programs were designed to cope with the Economic Crisis in 1929. For example, the Tennessee Valley Authority not only solved the regional soil erosion but also generated electricity to meet the increasing consumption provided by Westinghouse and General Electric.⁵³ The Perón coalition did not cover such a huge regional well-being issue, nor did its social institution fulfil the functions. Perón’s anti-U.S. propaganda during the early stage of his first term as a President was a strong manifestation against the framework of modernization but the lack of capital for the second Five-Year Plan (1953-1957) made him reduce the level of anti-U.S.

⁵² Ernesto Semán, *Ambassadors of the Working Class: Argentina's International Labor Activists and Cold War Democracy in the Americas* (Durham: Duke University Press, 2017), p. 52.

⁵³ Arthur E. Morgan, “Purposes and Methods of the Tennessee Valley Authority,” *The Annals of the American Academy of Political and Social Science*, Vol.172 (March, 1934), p. 51. p. 56.

propaganda.⁵⁴ From my viewpoint, Perón's shift successfully reaches a cross-out point with the vision of U.S. modernizers, making the domestic setting accordant with the global setting. This contributes to the paradigm of cooperation but the coalesced context does not reflect causal factors between the Argentine society and Perónism in the U.S. global setting. Hence, this opens a wider debate on the concept of Perónism.

U.S. bureaucrats perceived Perónism as fascism or communism. Braden, who was the U.S. ambassador to Argentina in 1945, suspected that Argentine officialdoms, including President Ramon S. Castillo and foreign minister Enrique Ruiz Guinazu, had contacts with some military officials in the Axis Powers.⁵⁵ The image of communism lingered prior to Perón's first term (1946-1952).⁵⁶ Braden also launched a propaganda campaign in the U.S., the *Blue Book on Argentina: Consultation Among the American Republics with Respect to the Argentine Situation*, to weaken Perón's prestige during the presidential election in 1946.⁵⁷ The American Federation of Labor (AFL) representative to Latin America, Serafino Romualdi, expressed his viewpoints of Argentine state intervention in *Foreign Affairs* after his return from Latin America.

⁵⁴ Semán, *op. cit.*, p. 2. p. 27. pp. 204-205.

⁵⁵ Spruille Braden, *Diplomats and Demagogues: The Memoirs of Spruille* (New York: New Rochelle, 2017), p. 316.

⁵⁶ *Ibid.*, p. 334.

⁵⁷ United States Government, *Blue Book on Argentina: Consultation Among the American Republics with Respect to the Argentine Situation Pamphlet – 1946* (New York: Greenberg, 1946).

He indicated that strong state intervention in labour conflicts gives rise to the increase of the minimum wage by law and the prescribed jobs are entitled to some bonuses every year.⁵⁸ In most of Latin America, the basic problem arose from the production of wealth not the “distribution of wealth”.⁵⁹ This suggests that Perónism, as a method of economic policy, does not increase labour production. Rather, it is to achieve welfare state status by governmental revenue. In other words, Perón increases governmental spending to advance labour’s position in the society without adequate revenue or labour capital.

According to NIE 66, Perón appealed to the labour class by the political call: “social justice, economic independence, and political sovereignty” yet the current economic prospects worsened by the governmental expenditure of social welfare policy at the cost of agriculture. Perón’s economic policy has made Argentina a debt nation that reached almost 2.5 times since 1945. Even though the ideological intensification of “Third Position” competed with the U.S. for leadership throughout Latin America, Perón’s foreign policy known as “labor attachés” has not reached much fruitful outcomes. However, Perón had close contact with the MNR; therefore, they

⁵⁸ Serafino Romualdi, “Labor and Democracy in Latin America,” *Foreign Affairs*, Vol.25, No. 3 (April, 1947), p. 480.

⁵⁹ *Ibid.*, p. 482.

developed similar local nationalism which incorporates the working class into society.⁶⁰ In need of financial support for his second Five-Year Plan, Perón reduced the level of anti-American sentiment as a political distraction from the deterioration of the economy. As a result, he agreed to make more efforts against communists and to compensate the American and Foreign Power Company (AFP) if the indemnifications the provincial authorities made were inadequate.⁶¹

From 1944 to 1946, the AFP had tried to claim the nationalized subsidiaries in the provincial courts as the AFP considered the compensation was not enough to cover the loss. The case though taken to the Supreme Court in 1946, the result still stood (rejection). The AFP was aware that the nationalized properties would be used to generate more energy capacity within the framework of the First Five-Year Plan. The AFP's investments in Argentina came to a halt in 1946, hoping that the Argentine government could take over the rest of the properties since it would need to compete with the Argentine government.⁶² All follow-ups were suspended until the

⁶⁰ Foreign Relations of the United States, The American Republics, "National Intelligence Estimate," in Historical Documents, *FRUS* 1952-1954, Vol. IV, June 13th, 1952.

⁶¹ Foreign Relations of the United States, The American Republics, "The Ambassador in Argentina (Nufer) to the Department of State," in Historical Documents, *FRUS* 1952-1954, Vol. IV, February 5th, 1953. Foreign Relations of the United States, The American Republics, "Editorial Note 117," in Historical Documents, *FRUS* 1952-1954.

⁶² Norma S. Lanciotti and Alexandre Macchione Saes, "American & Foreign Power in Argentina and Brazil," *Australian Economic History Review*, Vol. 54, No. 2 (July, 2014), p. 137.

Ambassador, Albert F. Nufer, met Perón on 3rd September 1953. Nufer mentioned the AFP's problem with local government in Mendoza. President Perón agreed to resume the negotiations about the expropriated company's properties. He proposed a better investment law for foreign investors, along with the Argentine state oil agency, Yacimientos Petrolíferos Fiscales (YPF). Based on this, the Argentine Supreme Courts would reassess the values of properties with wider participation of the International Bank for Reconstruction and Development (IBRD).⁶³

This meeting was a catalyst for the betterment of Argentine-U.S. relations as it provided a cross-out point between the conservative nationalist and the U.S. modernizer. From 1946 to 1952, the local identity of Perónism challenged the conceptual framework of modernization but it did not succeed. The meeting helps us gain a better insight into Perón's policy change. First, "Third Position" was neither with communism nor with the U.S. Perónism was viewed as a local nationalism from labor support within the Inter-American system. The cooperation with the U.S. on the anti-communism agenda meant that U.S.-Argentine relations were not continually bound by one ideology. Second, Perón's disposition to work with the U.S. on the YPF project indicated that he could compromise economic sovereignty and loosen the oil

⁶³ *Ibid.*, p. 138.

requirements for private U.S. capital. This proved to be a sign of embracing modernization visions. Third, Perón's consent to help the AFP with the provincial authorities in Mendoza suggested that the judiciary was defected if not sound – depending upon the Argentine Executive probably.⁶⁴

Bolivia

In April 1952, the MNR won the National Revolution, undertaking sweeping changes in social reforms, including women suffrage and nationalization of the tin mines. The latter served as the remarkable political objective that the MNR achieved. Prior to the revolution, the Bolivian economy had been dominated by the Patiño, Hochschild and Aramayo. Despite Bolivia's sovereign rights, the Bolivian government could not have the so-called 'economic independence' and effectively exercise political governance. Charles H. Weston Jr. argues the "National Revolution" epitomized the integration process, which consisted of the Indians, middle-class, miners, workers and elites. This approach reshaped the Bolivian identities based upon its vision of modernity. Therefore, the National Revolution underlined the political ramifications of social tensions against economic inequalities imposed by foreign enterprises. It is the

⁶⁴ Foreign Relations of the United States, The American Republics, "The Ambassador in Argentina (Nufer) to the Department of State," in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 4th, 1953.

socio-economic context that facilitates the surge of local nationalism.⁶⁵

The U.S. response to the Bolivian Revolution was not fierce, nor did it have a concrete idea of local development. In reviewing Bolivian history, the first Nationalist Revolutionary Movement led by the MNR in 1943 was depicted as Nazism by the State Department. The Villarroel regime was followed by a smear campaign circling in the U.S. Government. Walter Lippman, who was a famous political reporter, commented that “*the Putsch* had been prepared by a conspiratorial group whose leaders were in contact with Berlin”.⁶⁶ The U.S. constructed the image completely from its World War II experience and projected onto the whole of Latin America. The image was created to understand the complexities of the world in an approach of the reductionism and has been replaced by a new image out of fear and distrust of international communism within the Cold War narrative.⁶⁷ The image of communism was not used so often until Paz Estenssoro’s return as President in 1952 during which agrarian reform to nationalize the tin industry was the hottest issue around the circles

⁶⁵ Charles H. Weston Jr., “An Ideology of Modernization: The Case of the Bolivian MNR,” *Journal of Inter-American Studies* , Vol. 10, No. 1 (Jan., 1968), p. 85. pp. 98-99.

⁶⁶ Alberto Ostria Gutierrez, *the Tragedy of Bolivia: A People Crucified* (New York: Devin-Adair Company, 1961), p. 10.

⁶⁷ Ryan, *op. cit.*, pp. 11-12.

of tin barons.⁶⁸

The legal effect upon the future nationalization is tremendous in terms of political and legal aspects. First, the idea behind it underlines the potential conflict between U.S. identity and Bolivian identity; that is to say, state control of economy prevents the inflow of private investments - the very antithesis of capitalism. Second, as far as international law is concerned, Surya P. Subedi provides the “Hull formula” for compensation in the host countries. The idea of “prompt, adequate and effective” compensation is necessary if the nationalisation is not for “a public purpose” but there is no universal principle of “prompt, adequate and effective” upon compensation.⁶⁹ On one hand, foreign investors generally accept a widespread belief that full value compensation requires interest and a reasonable rate for current land value. On the other hand, the host nation might try to invoke the Calvo Doctrine to protect their political sovereignty. There is much wiggle room with regard to political negotiation. On what legal grounds should the host state invoke nationalization? What legal resolutions should be used for the compensation process?⁷⁰

⁶⁸ Foreign Relations of the United States, The American Republics, “Memorandum by the Secretary of State to the President,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, May 22nd, 1952.

⁶⁹ Surya P. Subedi, *International Investment Law: Reconciling Policy and Principle* (Oregon: Hart Publishing 2012), pp. 91-92.

⁷⁰ *Ibid.*, p. 93.

This gap between the principle and the practice for compensation remained disputed in the 1950s. In most cases, the compensation process involved outstanding issues such as property valuation, insurable interest and potential loss. For most Americans, the conception of ‘just compensation’ originates from the Fifth Amendment – a well-known principle accepted in revolutionary and colonial America.⁷¹ If a case was postponed or unresolved by the local authority, the role of U.S. government in the nationalization process was important. One month before the nationalization, the Secretary of State, Dean Acheson, skilfully created economic tension against the Bolivian nationalization. He explained the U.S. position:

If the Bolivian Government could pay prompt, adequate and effective compensation upon nationalization, [tin] contract would probably have to contain broad escape clause giving RFC [Reconstruction Finance Corporation] right to terminate contract or stop purchases upon nationalization.⁷²

As a diplomatic technique, economic tension also included a propaganda campaign organized by tin barons in the U.S. The private and public network is the key to understanding the truth of politics in the event of compensation. Patiño, Hochschild, and Aramayo paid the Nathanson Brothers, a public relations firm, to launch a

⁷¹ William Michael. Treanor, “The Origins and Original Significance of the Just Compensation Clause of the Fifth Amendment,” *The Yale Law Journal*, Vol. 94, No. 3 (Jan., 1985), p. 694.

⁷² Foreign Relations of the United States, The American Republics, “Memorandum by the Secretary of State to the President,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 8th, 1952.

campaign against the Bolivian nationalization.⁷³ Bolivian ambassador, Victor Andrade, revealed that Stanley Ross (a newsman), who had been writing much about the communist movement in Bolivia, tried to sell the information to Andrade before publishing. Andrade engaged much in U.S. public relations to counterattack any smear campaign that might possibly hurt U.S.-Bolivian relations. Andrade, while being in the U.S., denied any allegation that Bolivia had any financial connection with the Soviet communism. Moreover, his personal network with U.S. officialdoms also helps a lot in achieving a settlement of compensation in further arbitration processes.⁷⁴

It is apparent that the Bolivian investors could gain an agreeable settlement on compensation by leveraging further tin contracts. In fact, the U.S. has been the main market for the Bolivian tin exports since the Korean War. There has turned out to be continuing demand for the domestic tin outlet which provides the U.S. an opportunity to employ tin purchasing contracts as quid pro quo for the compensation settlement.⁷⁵

By comparison with Guatemala, Bolivia was taken - if not forced - to a negotiation at

⁷³ Victor Andrade, *My Missions for Revolutionary Bolivia, 1944-1962* (London: Pennsylvania State University Press, 1976), p. 135.

⁷⁴ *Ibid.*, pp. 136-139.

⁷⁵ Foreign Relations of the United States, The American Republics, "Memorandum by the Assistant Secretary of State for Economic Affairs (Thorp) and the Assistant Secretary of State for Inter-American Affairs (Miller)," in Historical Documents, *FRUS* 1952-1954, Vol. IV, April 2nd, 1952.

the national level thanks to Victor Andrade. In a Telegram from the State Department to Andrade, Andrade agreed that the Inter-American Convention for Arbitration Pecuniary Claims should be the foundation for further compensation. Both governments agreed to submit the case to the Arbitral Tribunal (one from the Bolivian government, one from the U.S. and the President from the International Court of Justice). This decision would stand effective and therefore the general principle in international law – ‘the exhaustion of local remedies’ – could not contradict thereof.⁷⁶

James F. Siekmeier has developed ambassador’s individual influence to convince U.S. congressmen and the public that the Bolivian Revolution was not a communism conspiracy. However, his work does not analyse much on the compensation process, which triggers distinct entities between the U.S. and Bolivia.⁷⁷ Paying “prompt, adequate and effective” compensation indeed realized the modernization vision yet it widened the gap within the MNR factions. It is indeed political and social issues that facilitate the compensation process rather than international law perspective. Ambassador’s individual influence in this case has an enormous effect upon U.S. attitude while Guatemala by contrast represents political and economic confrontations

⁷⁶ Foreign Relations of the United States, The American Republics, “The Secretary of State to the Embassy in Bolivia,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, December 23rd, 1952.

⁷⁷ James F. Siekmeier, *the Bolivian Revolution and the United States, 1952 to the Present* (Pennsylvania: Pennsylvania State University Press, 2011), pp. 64-70.

within the Cold War narrative.

Guatemala

The overthrow of Jacobo Árbenz in 1954 marked a high point throughout the Western Hemisphere which justifies U.S. intervention policy in the event of alleged contact with international communism. The CIA involvement in the covert action against the Árbenz government presented Eisenhower's reassertion of an anti-communism principle linking to Moscow that had been addressed during the Tenth Inter-American Conference.⁷⁸ Followed by the Cold War narrative, Rabe has contended that the USSR would take advantage of the uncertainties of economic and security issues in Latin America that "the Truman administration had neglected". Thus, Latin America was incorporated into Eisenhower's global strategy against international communism. According to NSC 144/1, one course of action was to promote a climate conducive for private investment and to reduce the level of communist threat or possible anti-U.S. elements in Latin America.⁷⁹

⁷⁸ Foreign Relations of the United States, the American Republics, "Memorandum by the Assistant Secretary of State for Inter-American Affairs (Cabot) to the Acting Secretary of State," in Historical Documents, *FRUS* 1952-1954, Vol. IV, February 10th, 1954.

⁷⁹ Rabe, *Eisenhower and Latin America: The Foreign Policy of Anti-Communism and Latin America*, pp. 30-33.

In Guatemala, Jacobo Árbenz undertook power from March 1951 with a strong determination to carry out agrarian reforms (it was officially implemented on 26th February 1953). The U.S. again unfolded its foreign policy by propaganda machinery simply classifying the reform movement in Guatemala as the representation of communism. Ambassador Guillermo Toriello Garrido of Guatemala was worried about the meaning of this policy being distorted by “*Our Times*” as a communist. John Moors Cabot replied it “was not an official government publication”.⁸⁰ Being diplomatic, Cabot did not ease Toriello’s doubts, much less answer his question. Cabot, in his trip to Latin America, was contemptuous of the Guatemalan Foreign Minister saying “he’s a complete jackass who talked endlessly without making any sense”.⁸¹ In a talk with President Árbenz, John Peurifoy, who was U.S. ambassador to Guatemala, determinately believed that “if he [Árbenz admitted] is not a communist, he will certainly do until one comes along”.⁸² Through the previous two case studies, I summarize that Guatemala was depicted as a communist traveller by Washington bureaucratic ideologues from early 1953 to the end of 1953. Similar to Argentina and

⁸⁰ Foreign Relations of the United States, The American Republics, “Memorandum of Conversation, by John W. Fisher 1 of the Office of Middle American Affairs,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, March 25th, 1953.

⁸¹ John Moors Cabot, *First Line of Defense: Forty Years’ Experiences of a Career Diplomat* (Washington, D.C.: Georgetown School of Foreign Service, 1971), p. 87.

⁸² Foreign Relations of the United States, The American Republics, “The Ambassador in Guatemala (Peurifoy) to the Department of State,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, December 17th, 1953.

Bolivia, the U.S. described Latin American nationalism as communism by means of the public and bureaucratic propaganda.

The UFCO had very strong connections with the public relations in the U.S. prior to the Guatemalan coup d'état. Its headquarters was located in Massachusetts where Henry C. Lodge served as a Senator and John McCormack served as Representative. Both worked ardently for the UFCO as lobbyists during the Truman administration. They did not emphasize their ties with the UFCO to the public. Rather, they did what Edward Bernays often said to the public that "they presented the facts, letting the cold war ethos do the influencing for them".⁸³ From 1953 onwards, the business-bureaucratic network broadened; Allen Dulles, who was the CIA Director, had been a partner with Sullivan and Cromwell. John Cabot, who was the Secretary of State for Inter-American Affairs in 1953, had a large amount of stock in the UFCO. Thomas Dudley Cabot, who was Cabot's brother, was the Chief Executive Officer of the UFCO. Sinclair Weeks, the director of the bank, was the Secretary of Commerce. Being professional lobbyists also exercised much bureaucratic influence in the conduct of foreign policy. Communism was nothing more than propaganda that the

⁸³ Richard H. Immerman, *The CIA in Guatemala: The Foreign Policy of Intervention* (Texas: Oxford University of Texas Press, 1982), pp. 116-117.

bureaucrats employed with a view to selling to the public.⁸⁴

I further argue that communism was not the sole account that resulted in the Guatemalan coup d'état. In addition, it was Árbenz's determination to nationalize the UFCO's properties in Guatemala that triggered the covert operation. Because of the nationalization policy, the Guatemalan government and the UFCO could not reach a consensus in terms of indemnification practice. For the Guatemalan government, it is the Agrarian Reform in 1953 which changed the long-standing economic structure dominated by the UFCO. From the Western perspective, the UFCO perceived that the expropriation of private lands was almost impossible and thus it would be considered unlawful. However, the concept of "adequate, effective and prompt compensation" is the traditional Western view in the event of expropriation. This principle, known as the Hull Formula, was applied in the Mexico compensation in 1938 and has become a universal principle to cover all compensation cases since then.⁸⁵ The UFCO tried to appeal to the Guatemalan Supreme Court but this case was turned down on 18th March 1953.⁸⁶ Seeking a local remedy epitomizes the practice of international law

⁸⁴ *Ibid.*, pp. 124-125.

⁸⁵ Andreas F. Lowenfeld, *International Economic Law* (Oxford: Oxford University Press, 2008), pp. 475-480.

⁸⁶ Foreign Relations of the United States, The American Republics, "Editorial Note 420," in Historical Documents, *FRUS* 1952-1954, Vol. IV.

but apparently the UFCO did not consider that the Guatemalan government offered an equal treatment in terms of the legal system. The central issue is whether the legal institution of the Guatemalan government functions similar to the counterpart of the U.S. government. The dispute of valuing the expropriated land is the main cause that drives the two parties into a high level of conflict.

The Guatemalan Government agreed to pay the UFCO “\$627,572 in bonds, based on United Fruit’s declared tax value of the land” but the UFCO considered that they had undervalued the expropriated land. The compensation that the Guatemalan Government could offer was “about \$2.99 per acre while the Department of State wanted over \$2.99 per acre”. The UFCO employed lobbying influence within the U.S. politics until Árbenz was overthrown.⁸⁷ According to the *Aide-Memoire* on 28th August 1953, the State Department resorted to International law based on the *Case of P.W. Shufeldt 1928*:

[*Decree No. 1544 - Guatemala*] may be quite true from a national point of view but not from an international point of view for it is a settled principle of international law that a sovereign cannot be permitted to set up one of his own municipal laws as a bar to a claim by a foreign sovereign for a wrong done to the latter’s subject.⁸⁸

⁸⁷ Stephen Schlesinger and Stephen Kinzer, *Bitter Fruit: The United: The Untold Story of the American Coup in Guatemala* (London: Sinclair Browne, 1982), p. 76.

⁸⁸ *Department of State Bulletin*, September 14, 1953, p. 359.

There was a huge gap between the *Case of P.W. Shufeldt 1928* and the compensation policy in Guatemala. The case has set a precedent that the general principle of ‘soft law’ in international law is more applicable to claiming compensation than any municipal law. The Guatemalan government argued the contract in 1922 was invalid since the Legislative Assembly did not approve it. However, the American claimant, Shufeldt, acted upon his contractual rights until the 22nd May 1928. The Arbitrator, Sir Herbert Sisnett, recognized that Shufeldt’s compliance with the contract had already constituted a valid contract. The Guatemalan President issued the decree on 7th July 1928 that was tantamount to the deprivation of his contractual rights. Finally, the Arbitrator concluded that Shufeldt had “the right to claim pecuniary indemnification” due to the “cancellation of the contract” by the Guatemalan government.⁸⁹

The U.S. inferred the same conclusion and principle from the *Case of P.W. Shufeldt 1928*. For most Americans, they take cognizance of the property rights in the Fifth Amendment thereof. “Just compensation” literally means the obligation to pay “prompt, adequate and effective” compensation.⁹⁰ The State Department, on behalf of the UFCO, raised the issue of “just compensation for the properties taken”. The U.S.

⁸⁹ “In the Claim by the United States of America on Behalf of P.W. Shufeldt against the Republic of Guatemala,” *The American Journal of International Law*, Vol. 24, No. 4 (Oct., 1930), pp. 799-800. p. 813. p. 822.

⁹⁰ *Department of State Bulletin*, September 14, 1953, p. 359.

urged that the Guatemalan government negotiate with the UFCO or the U.S. government. Alternatively, this case should be taken to an international tribunal. However, the Guatemalan government did not reveal its intent as to which methods it considered proper to resolve the issues.⁹¹ In my analysis, the interrelation between economic activities and social behaviour outlines the cultural differences. It is a general belief that the U.S. and the U.K. belong to a common law system while most Latin American states use a civil law system. This interpretation is too simplified because the fundamental issue behind this is that the pecuniary indemnification made by the Guatemalan government did not live up to the inherent belief in the protection of property rights held by Americans. The compensation dispute did not reach a satisfactory end until the 1954 Guatemalan coup d'état.

The stronger the economic nationalism grows, the more fervent the ideological invocation – such as the Monroe Doctrine – would be employed by conservative U.S. bureaucrats to conquer internal contradictions. One month prior to the 1954 Guatemalan coup d'état, the Department of State Bulletin revealed on 15th May 1954 that the Guatemalan government was believed to import armaments from the Czechoslovak Socialist Republic by the ship *Alfhelm*. The armaments would be

⁹¹ *Department of State Bulletin*, May 3, 1954, p. 678.

unloaded at Puerto Barrios, Guatemala.⁹² At the 199th meeting of the NSC, Secretary Dulles considered that “Guatemala’s military establishment was three times as large as the military establishments of all its neighbors put together”. The import of arms from the Czechoslovak Socialist Republic was viewed as an aggression in Latin America. Bureaucrats, who participated in the meeting, urged to revise the current policy.⁹³

The 199th NSC meeting was top of the NSC agenda as demonstrated by the presence of the following bureaucrats to review the integrated policy. The Attorney General, Herbert Brownell, Jr., suggested sending someone to discuss the matter with the *New York Times* to justify U.S. adjustment. Moreover, he proposed all suspected vessels should not be stopped in the high sea because international law had no merit in the high sea. Allen Dulles suspected that ammunition might not be simply imported from the Iron Curtain, and probably some countries also supplied the arms secretly. Stassen instructed that the Monroe Doctrine should be expanded to prohibit shipment of weapons to Latin American countries.⁹⁴ For example, Dulles and Stassen both used

⁹² “Arms Shipment to Guatemala from Soviet-Controlled Area,” *Department of State Bulletin*, May 31st, 1954, p. 835.

⁹³ Foreign Relations of the United States, the American Republics, “Memorandum of Discussion at the 199th Meeting of the National Security Council on Thursday, May 27, 1954,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, May 27th, 1954.

⁹⁴ *Ibid.*

the Monroe Doctrine to stress that Latin America was under the American influence against international communism. The metaphorical communication suggested American morality and legality to protect Latin America from the communist threat.

The NSC 5419/1 made the Guatemalan government the infiltration of communism in the Hemisphere, concluding the importation of armaments from Czechoslovakia “as an armed attack against all American states under Article 3, paragraph 1 of the Rio Treaty, and constitutes an imminent threat to the security of the United States”.⁹⁵ The Guatemalan case represented the eradication of a purported communist regime in Latin America. This has served as a legal ground for the U.S. intervention in Guatemala through a covert action. The ideological impulse strengthened U.S. morality and reaffirmed the stable visions of modernization maintained by the U.S.

Soon after Carlos Castillo Armas took power in military junta, a General Agreement for Technical Cooperation was signed between the U.S. and Guatemala on 2nd September 1954.⁹⁶ The Armas regime was very tough regarding communism and he was also very much pro-U.S. This again provided a stable political environment for the current businesses in Guatemala. But the question is did this pro-U.S. regime really care about Latin American welfare and economic development?

⁹⁵ Foreign Relations of the United States, the American Republics, “Statement of Policy by the National Security Council,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, May 28th, 1954.

⁹⁶ Foreign Relations of the United States, the American Republics, “Editorial Notes,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 1st, 1954.

U.S. Foreign Policy after the Guatemalan coup d'état

James C. Hagerty, who was responsible for Eisenhower's press, revealed Eisenhower's response to the overthrow of the Árbenz regime by the CIA. Shortly before the press conference on 30th June 1954, Hagerty recapped his conversation with Dulles:

Dulles said that the President could take great satisfaction from the trend of events in Guatemala where Red agents and fellow travellers were fleeing the country. He [Dulles] suggested that the President say that the Guatemalans were resuming to take charge of their own affairs.⁹⁷

Readers might wonder what Eisenhower actually said about the Guatemalans since Dulles simply reported what he knew; however, this suggests that Dulles had a strong personal connection with Eisenhower. In examining Eisenhower's News Conference on 30th June 1954, Eisenhower was asked about the communist beat-down in Guatemala by Norman Carignan, who represented the Associated Press: "I wonder if you would give us your views on the significance of what we have witnessed [communists] there, the struggle that we have witnessed there?"⁹⁸ Eisenhower replied that "you have asked me a different kind of a question; the significance could be very deep, it could be very local. I think it has not yet been analyzed carefully enough so

⁹⁷ Foreign Relations of the United States, The American Republics, "Editorial Notes," in Historical Documents, *FRUS* 1952-1954, Vol. IV, June 30th, 1954.

⁹⁸ The President's News Conference of June 30, June 30th, 1954, *Public Papers of the Presidents: Dwight D. Eisenhower*, 1954, pp. 604-605.

that we know all of its significance”.⁹⁹

Eisenhower did not provide any local information about the communism in Guatemala, nor did he convince the news media by the hard evidence. He tactfully passed the buck to Dulles in his conversation through circular logic saying that:

I understand Secretary Dulles is going on the air this evening to give a rather full explanation of the whole occurrence, as we understand it. I did hear this morning my report was that the Communists and their great supporters were leaving Guatemala. If I would try to conceal the fact that that gives me great satisfaction, I would be just deceitful. Of course it has given me great satisfaction.¹⁰⁰

There were two problems in Eisenhower's words during the President's Conference.

First and foremost, the Guatemalan coup d'état took place from 18th to 27th June 1954

that was prior to the President's News Conference on 30th June 1954. There were a

series of formal and informal meetings about the CIA activities in Guatemala before

the Guatemalan coup d'état. Information was substantial but evidence was incomplete.

The problem was not the Árbenz's regime infiltrated by the international communism

but his political intent to form an alliance between his government and the

Communist Party, with the latter affiliated with the labour confederation. They

⁹⁹ *Ibid.*, p. 605.

¹⁰⁰ *Ibid.*

demonstrated strong determination to implement the Agrarian Reform.¹⁰¹ Second, searching through many NSC meetings, Eisenhower relied heavily on certain bureaucrats such as Dulles for advice. In addition to the NSC, the CIA was authorized by the Psychological Strategy Board (PSB) to conduct the covert operation (code-named Operation PBSUCCESS). To integrate related agencies under Eisenhower's command, the PSB was replaced by the Operations Coordinating Board in accordance with the Executive Order 10483. The chairman of the Board would be the Under Secretary of State, who represented the DOS.¹⁰² Dulles should have been aware of all the covert operation procedures. If not, what were other covert actions during the Eisenhower administration? For example, when Eisenhower met the Churchill government to discuss the wily nationalist regime governed by Mohammad Mosaddegh, Churchill made a speech in the Commons saying "the British lion was being poked at and shoved" in Iran and Eisenhower only said "Girded by Guatemala!"¹⁰³ Presumably, Eisenhower could have been aware of the covert operation when taking his office in 1953. This was known for the Iranian coup d'état in 1953.

¹⁰¹ Foreign Relations of the United States, the American Republics, "Memorandum for the Record," in Historical Documents, *FRUS* 1952-1954, Vol. IV, June 30th, 1954.

¹⁰² Executive Order 10483-Establishing the Operations Coordinating Board, September 2, 1953; available from <http://www.presidency.ucsb.edu/ws/index.php?pid=60573>, accessed October 7, 2014.

¹⁰³ Dwight D. Eisenhower, *The Eisenhower Diaries*, Robert H. Ferrell, ed. (New York: W. W. Norton & Company, 1981), p. 221.

The covert operation was a unique mechanism in the foreign policy domain. To define whether it is a formal or informal foreign policy mechanism, one needs to know the OCB was interdepartmental but the CIA was in charge of the policy operation for most of the time. Because of the secrecy, it could clear unnecessary disputes from other participating bodies. The covert operation incurred the DOS objections at its earliest planning stage. According to the review in 1952, the DOS found it “improbable that the Communists will gain direct control over the policy of any Latin American state, at least during the next several years. The Soviet Union had no presence in Guatemala”.¹⁰⁴ As a result of this, Allen Dulles, when given “extremely high operational priority”, determined to overthrow Árbenz and completely controlled the action lest further objections from the DOS would arise.¹⁰⁵ In this regard, Huntington’s claim to the tensions between American ideals and foreign policy institutions can explain this political phenomenon.¹⁰⁶ Most bureaucrats recognized that cleavage but accepted it. Bureaucrats articulated different political values in foreign policy goals and tried to build a pro-American nation by different methods.

¹⁰⁴ Jefferson Morley, *Our Man in Mexico: Winston Scott and the Hidden History of the CIA* (Kansas: University Press of Kansas, 2008), p. 66.

¹⁰⁵ *Ibid.*, p. 65.

¹⁰⁶ Samuel P. Huntington, *American Politics: The Promise of Disharmony* (Cambridge, MA: Belknap Press, 1998), p. 221.

After the Guatemalan coup d'état, some bureaucrats pursued different values in the foreign policy domain. At the 212th meeting of NSC, Stassen perceived that the Eximbank and the International Bank should liberate their loan restrictions, and make more public funds to Latin America. His assumption was that the economic conditions in Latin America would improve as a consequence of U.S. public funds. Based on a favourable climate, private capital would be more attractive. Smith, who represented the DOS, agreed with Stassen but his concern was that Congress was prudent with the appropriation of money. However, the Assistant Secretary of the Treasury, Andrew N. Overby, dissented from Stassen's ideas, especially public loans from the Eximbank and the International Bank. Overby argued that both banks could only finance economic projects in Latin America, rather than make public loans to the countries.¹⁰⁷

NSC 5432/1, issued on 3rd September 1954, was a compromise between the FOA and the DOT. This new policy document superseded NSC 5419/1 and NSC 144/1. NSC 5432/1 was the combination of U.S. economic policy and rethinking of the communist threat in terms of the security line. This document has repeated the threat of communism in Latin American states and U.S. commitments against communism

¹⁰⁷ Foreign Relations of the United States, The American Republics, "Memorandum of Discussion at the 212th Meeting of the National Security Council," in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 2nd, 1954.

according to Resolution 93 of the 10th Inter-American Conference. To maintain security in America, the U.S. would not only seek support from the OAS as collective security but also resort to unilateral action as sanctions.¹⁰⁸

NSC 5432/1 has also set a brief guidance to promote trade and investment policy. Interestingly, the U.S. mentioned broadening a variety of cooperation with Latin America such as labor, business, agriculture, finance and technical fields. In addition, the document recommended that the U.S. gradually lower tariffs and barriers on certain goods with a view to the trading policies toward Latin America. The Eximbank could provide loans on the condition the loan is:

(1) in the interests of both the U.S. and the borrowing country, (2) within the borrower's capacity to repay, and (3) within the Bank's lending capacity and charter powers, be prepared to assure such financing of all sound economic development projects, for which private capital or IBRD financing is not available.¹⁰⁹

NSC 5432/1 reflected Stassen's and Humphrey's ideas. Eisenhower's role in the

¹⁰⁸ Foreign Relations of the United States, The American Republics, "Statement of Policy by the National Security Council," in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 3rd, 1954.

¹⁰⁹ *Ibid.*

formal policy mechanism became clear. As an arbiter, Eisenhower juxtaposed both bureaucrats' viewpoints with the NSC 5432/1. In my analysis, I do not think Eisenhower exercised much his presidential power to persuade in this scenario. However, Eisenhower would have the final say on trade policy and any soft loan to Latin American countries. The economic development through developmental loans should not go against U.S. foreign policy goals and U.S. interests in Latin America. Could the U.S. political values articulated in NSC 5432/1 really fit in most Latin American societies? How much could this bureaucratic advice sustain the political reality in Latin America within the Cold War context? This brings us to the next chapter in order to discuss the U.S. interaction with the Latin American nations with the Soviet ideology.

CHAPTER THREE

The Soviet Economic Offensive: A Stimulus to Public Funds

The Cold War was initially constructed while the Soviet Union was engaging its power across Eastern Europe after the Second World War. With the Soviet domination of Eastern Europe and the formation of NATO, the international system was conspicuously polarized by the U.S. and Soviet Union. The conflict was not limited to the European continent but throughout the Third World. Therefore, tensions arose as long as either side undertook propaganda in a global context. Chapter Three proposes that the expanding Soviet economic activities in the underdeveloped countries challenged the U.S. 'trade and aid' policy which raises the reappraisal of security concerns. The increase in Soviet trade with the underdeveloped countries would not limit U.S. economic foreign policy. Rather, it represented an impulse to consider a shift in policy and challenged the U.S. commitments in neutral countries. The Soviet economic approach was determined by an ideological narrative, which served as a political propaganda with the purported intents to influence the emerging nations through trade expansion and military assistance.

It is assumed that Eisenhower's strategic conception against the Soviet communism

lay in the traditional values of the American society - economic growth, military strength, divine individualism and Republicanism - to maintain world peace. In other words, he perceived the American society as an organism of unity. Others should champion these values and work towards world peace. These basic values were clearly addressed at the Annual State of the Union message on 6th January 1955 by Eisenhower.¹ This strategic conception was also applied to the Hemisphere.

Eisenhower uttered in 1955:

Just as nations of this Hemisphere, in the historic Caracas and Rio conferences, have closed ranks against imperialistic Communism and strengthened their economic ties, so free nations elsewhere have forged new bonds of unity.²

In this context, Eisenhower emphasized the importance of the collective defence traditionally bound with the Rio Conference and the 10th Inter-American Conference in Caracas even though President Eisenhower did not invoke the Monroe Doctrine as often as Dulles did. However, Eisenhower's words *per se* were very close to Kennan's containment policy. Latin America was incorporated into the global context against the Soviet communism; the Soviet communism was presented to the public as *fait accompli*. What are the connections between the Soviet communism and local communism?

¹Annual Message to the Congress on the State of the Union, January 6, 1955; available from <http://www.presidency.ucsb.edu/ws/index.php?pid=10416>, accessed October 7, 2013.

² *Ibid.*

According to a National Intelligence Estimate (NIE) report on 6th December 1955, this point was mentioned one month before the SEO propaganda but the connection between the Soviet communism and the local communism was ill-defined. It reassured the Congress position in 1952, which confirms “the Communists have no present prospect of gaining control of any Latin American state by electoral means, nor even of gaining direct participation in national politics equal to that which they formerly enjoyed in Guatemala”.³ For the Soviet communism, the document on the other hand has found:

The USSR and its Satellites have shown a markedly increased interest in Latin America in recent years. This has been reflected in a great increase in Communist-sponsored trips of Latin Americans to Communist countries, an expansion of Soviet Bloc diplomatic representation, and a growing interest in expanding trade, including arms.⁴

In short, Latin America had been the potential target prior to the SEO. The Soviet tactic to expand its influence was not limited to the military arms but to the international trade and diplomatic ties. The connection between the two was the issue whether the Soviet communism could advance a nationalist aspiration in local Latin America through the different offers provided by the Soviet communism. In fact, the Executive had buttressed the position that any infiltration or subversion from the

³ Foreign Relations of the United States, The American Republics, “National Intelligence Estimate,” in Historical Documents, *FRUS* 1955-1957, Vol. VI, December 6th, 1955.

⁴ *Ibid.*

Soviet threat was probable while Congress had considered that there was fat chance for the local communism to gain the power and reach ideological convergence with the Soviet Union in the global context.

The White House was still suspicious of the Soviet motives and its new offer to the underdeveloped nations one month after the SEO. According to the memorandum by the NSC Planning Board on 13th February 1956, the Planning Board acknowledged the technological progress would cause “a serious short- and long-term challenge” but also recognized the focus shifted to the underdeveloped nations and the Soviet pursuit to reach convergence of “local aspirations” to “foster trends toward neutralism”.⁵ The memorandum recommended that:

The current Communist political, economic and diplomatic offensive, involving widespread offers of technical, developmental and military assistance on a ‘trade not aid’ basis, both bilaterally and through UN agencies, confronts the United States with one of its most serious challenges. Despite substantial assistance programs, the United States has not succeeded to date in developing an affirmative sense of community of interests with the underdeveloped countries. Hence their complex drives for improved conditions and status are effectively exploited by the new Communist offensive.⁶

The focus point was what attitudes the U.S. took towards the underdeveloped countries. Did the U.S. government treat them differently or alike? Did the U.S.

⁵ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum by the NSC Planning Board,” *FRUS* 1955-1957, Vol. XIX, February 13th, 1956.

⁶ *Ibid.*

government literally prioritize the underdeveloped countries and what Latin America should be put under? According to NSC 5602/1, the document, finalized on 15th March 1956, outlined a national security that was intended to prioritize the underdeveloped countries. It affirmatively emphasized that “the United States cannot afford the loss to Communist extremism of constructive nationalist and reform movements in colonial areas in Asia and Africa”.⁷ As for Latin America, the U.S. placed a different emphasis, which continues economic growth in some Latin American nations. It is suggested that the NSC 5602/1 perceived Asia and Africa as two areas susceptible to the international communism. However, Latin America was considered as an area for the framework of modernization. Altogether, the White House prioritized Asia and Africa in its foreign policy agenda in the face of the Soviet communism whereas Latin America was given the economic priority rather than the Soviet communism.⁸

In addition, NSC 5602/1 specified that the Executive Branch should be given authority for the extension of any economic projects and programs “over a period of years”, the modification of economic programs or terms and conditions granted and

⁷ Foreign Relations of the United States, National Security Policy, “National Security Council Report,” *FRUS* 1955-1957, Vol. XIX, March 15th, 1956.

⁸ *Ibid.*

the flexibility in organizing foreign aid assistance.⁹ The Executive Branch was almost given a predominant position in the foreign aid programs and future projects for economic resources. From 1954 to 1955, the White House began to increase the level of foreign aid commitments as specified in NSC 5432/1. This contributes to Kaufman's theoretical analysis in chapter three - transition from the 'trade not aid' policy to 'trade and aid' policy.¹⁰ The question is whether the SEO tilted the balance for foreign aid policy or not. This depends on whether Latin America, as part of the Third World, was the main target of the SEO. From the White House perspective, Asia and Africa was given high priority in the face of the Soviet communism. The question is did all bureaucrats in the Executive Branch hold that point in concert. The following paragraphs focus on how bureaucrats interpreted the implications of the SEO.

Debate over Mutual Security Acts Funds

On 7th March 1956, President Eisenhower expressed his views concerning the SEO during a News Conference, urging for the policy reappraisal between the Executive Branches and Congress. In developing his strategy, he made the following points in response to the new economic tactics. First and foremost, the U.S. national security

⁹ *Ibid.*

¹⁰ Kaufman, *Trade and Aid: Eisenhower's Foreign Economic Policy, 1953-1961*, pp. 34-57.

was based on the strong military and the U.S. allies. Secondly, the economic assistance given to allies could buttress the desirable military development. Thirdly, the U.S. should be flexible with the economic aid but very discreet about the decision. This requires an in-depth study on foreign aid programs.¹¹ Remarkably, Eisenhower outlined the U.S. strategy against the SEO in the public conference but mentioned little about Latin America. James B. Reston, who was a journalist from the *New York Times*, asked Eisenhower whether the Middle East was where the Soviets would proceed with the new offensive. Eisenhower's answer was positive. This suggested that the Executive Branches did not consider Latin America as the main target in the face of the Soviets at the initial stage.¹²

President Eisenhower made the SEO the theme of his message to Congress on the mutual security program. World peace, as he contended, was based on the military capacities and economic development in the free world.¹³ The Soviet move to strengthen trade relations was a challenge to the U.S. leadership. In response to the SEO, the U.S. would not only "continue to stimulate the expansion of trade and

¹¹ For text of President Eisenhower's News Conference, March 7, 1956, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1956* (Washington, 1956), p. 292.

¹² *Ibid.*, pp. 292-293.

¹³ For text of President Eisenhower's Special Message to the Congress on the Mutual Security Program, March 19, 1956, *Public Papers of the Presidents of the United States: Dwight D. Eisenhower, 1956* (Washington, 1956), p. 314.

investment in the free world” but also “build the productive capacities of free nations through public loans”.¹⁴ Eisenhower requested Congress to use the mutual security program for Fiscal Year 1957:

Congress authorize appropriations of \$4,672,475,000 in accordance with the schedule attached. In a separate letter to the Speaker of the House of Representatives, I am requesting the appropriation of \$4,859,975,000 for the same fiscal year to cover these recommended authorizations together with authorizations granted but not fully used in prior years.¹⁵

Eisenhower reaffirmed that the special funds would be given to Africa and the Middle East. Defined by the Mutual Security programs, \$100 million should be used for non-military purposes. Furthermore, the President's Fund about \$100 million was authorized and given to Asia and Eisenhower would request a further \$100 million. In Latin America, Eisenhower concluded that the U.S. would carry on with the technical assistance through the Organization of American States (OAS), utilize the Mutual Security Program as provisional funds unless the World Bank and the Eximbank could not offer necessary loans in the critical situations and provide military aid (e.g. standardized military equipment, training and maintenance already provided).¹⁶

Although Latin America had not been given high priority compared to Africa, the

¹⁴ *Ibid.*, p. 315.

¹⁵ *Ibid.*, p.318.

¹⁶ *Ibid.*, pp. 319-320. 321-322.

Middle East and Asia, some bureaucrats tried to bring the focal point of military assistance in Latin America upfront to advance military interests in Latin America. On 16th April 1956, the Deputy Under Secretary of State, Robert. D. Murphy, indicated that military assistance, based on the reimbursable basis, would not impose any additional military expenditure. This approach could improve the worsening military relations between the U.S. and Latin America. Murphy explained that politically speaking the U.S. military sales and grants to Latin America could bring about positive effects upon sea lines of communication and strategic access to raw materials. Latin American nations could be best served by a reimbursable assistance program, which would tilt the balance for political and military interests of the U.S. in Latin America. Murphy's rationale was that the U.S. supply of military assistance would replace the European suppliers and keep the European military influence from Latin America.¹⁷ In my view, motivated by the military interests, Murphy gave too little weight to whether military aid on a reimbursable basis and a modest amount of credit would endanger economic growth in Latin America. The tensions between economic development of Latin America and military aid programs to Latin America emerged within the U.S. foreign policy.

¹⁷ Foreign Relations of the United States, National Security Policy, "Letter From the Deputy Under Secretary of State (Murphy) to the Assistant Secretary of the Treasury (Overby)," *FRUS* 1955-1957, Vol. VI, April 16th, 1956.

Murphy's assumption was challenged by the USDT, Humphrey, who considered that Latin American nations should not purchase military equipment in excess of their economic capabilities to support from the very beginning of the administration. In this regard, Joseph M. Dodge, who was the Special Assistant to the President, provided some recommendations on the U.S. military assistance and economic development in Latin America. For the reimbursable assistance, Dodge recognized that credit and cash sales contributed not only to internal security in Latin America but also to collective security in the Hemisphere. Yet, the DOD would need to review individual Latin American nations and identify the outcomes the credit and cash sales could bring in addition to the contribution defined by the Mutual Defense Assistance Program (MDAP). In principle, the DOD and the USDT urged Latin America to minimize unnecessary military expenditure. For the grant assistance, Dodge suggested that Nicaragua and Honduras not be considered further grant assistance because there was no political need for both countries. The DOD might reconsider carrying on the program for both countries based on an active basis.¹⁸ The question is what did other bureaucrats or agencies think about the deterioration of U.S. military assistance to Latin America proposed by Murphy?

¹⁸ Foreign Relations of the United States, National Security Policy, "Letter From the Deputy Under Secretary of State (Murphy) to the Assistant Secretary of Defense for International Security Affairs (Gray)," *FRUS* 1955-1957, Vol. VI, May 8th, 1956.

According to a letter from Gordon Gray to Murphy, he, serving as the Assistant Secretary of Defense for International Security Affairs, requested the Joint Chiefs of Staff (JCS) to make an assessment on the feasibility of establishing long-term military aid.¹⁹ The JCS assessment found that the U.S. grant aid and military reimbursable programs would discourage Latin American countries from seeking other suppliers that would impact the economies in many Latin American countries. Gray uttered that the reimbursable aid should not be given a limit; Latin American countries did not feel constrained to any military facilities essential for hemisphere defence. They would pursue other foreign alternatives once their purchases were turned down by the U.S. and this is definitely opposite to military standardization. To facilitate the reimbursable military program, Gray suggested that each request be taken into account case by case given that individual Latin American states would have different conditions to the U.S. pricing and credit and Latin America was differently prioritized in accordance with the U.S. military allocation to Latin America. There would be no funds given to the FY 57 and therefore the fund in the FY 58 would be created following Gray's submission.²⁰ Gray and Murphy's recommendation was crystallized into NSC 5613/1 on 25th September 1956 *paragraph 33*, which says "we [the U.S.]

¹⁹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Letter From the Assistant Secretary of Defense for International Security Affairs (Gray) to the Deputy Under Secretary of State (Murphy)," *FRUS* 1955-1957, Vol. VI, August 1st, 1956.

²⁰ *Ibid.*

should provide the minimum military equipment, on a grant basis if necessary, required by Latin American governments for the maintenance of both internal security and hemisphere defense”.²¹

Tensions also appeared between the Executive Branches and the JCS at the 296th NSC Meeting about the diplomatic sentence presented in NSC 5613/1 by the JCS. The original sentence had been written by the Planning Board before NSC 5613/1.

Paragraph 16-e read as follows:

If a Latin American state should establish with the Soviet bloc close ties of such a nature as seriously to prejudice our vital interests, be prepared to diminish governmental economic and financial cooperation with that country, when such action seems likely to weaken the Soviet ties; doing so, however, without necessarily relating those measures openly to the country’s attitude.²²

Eisenhower considered that the “JCS’s language used above was seemed to him simpler,” but he preferred to change. However, Dulles explained that the JSC’s languages were too broad to get the guidance across to the related authorities in executing the policy. For the President, he said “this issue struck him as largely a matter of semantics”. He and Dulles agreed to make changes: “If [conditional remains

²¹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Letter From the Deputy Under Secretary of State (Murphy) to the Assistant Secretary of Defense for International Security Affairs (Gray),” *FRUS* 1955-1957, Vol. VI, October 9th, 1956.

²² Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of Discussion at the 296th Meeting of the National Security Council, Washington, September 6, 1956,” *FRUS* 1955-1957, Vol. VI, September 6th, 1956.

same], be prepared to employ appropriate political, military and economic measures, in order to weaken the Soviet ties”.²³ In my view, the NSC is an interdepartmental policy mechanism where the DOD, DOS and Congress drafted policy recommendations. All recommendations would go through the Planning Board for policy review and idea refinement prior to final approval by the President. Thus, policy recommendations would be coordinated and be integrated further. The SEO triggered a series of policy discussions where the leading bureaucrats arranged a policy agenda and advocated policy objectives in accordance with the organizational interests. The next section describes the role of Congress in the conduct of foreign policy as a different policy advocate.

Congress’s Dedication to the Foreign Aid Program: Smathers Amendment

Unlike the Executive approach, Congress presented concerns for social welfare of Latin America through the Smathers Amendment. The development fund, aiming to provide Latin America with a small portion of public funds to improve social infrastructure in addition to the DLF, was named after the Senator of Florida, George A. Smathers. According to R. Harrison Wagner, he showed that Congress demonstrated particular interest in Latin America and accentuated this in the Senate

²³ *Ibid.*

Banking and Currency Committee in 1954 but members of the Senate Foreign Relations Committee just came to grips with hemispheric affairs. Smathers successfully convinced the Senate Foreign Relations Committee to amend the 1956 foreign aid bill in 1956.²⁴ Therefore, Congress's attempt to promote the inflow of public capital to Latin America amicably accorded with Latin American requests for more public capital. Congress's dedication to the foreign aid program presented one of the forces for public capital within the foreign policy mechanism.

Tensions came to the front with the Smathers appropriation of \$100,000,000 (50,000,000 in grants and 50,000,000 in loans) for Latin America in the next five years. According to a memorandum on 15th June 1956, Henry F. Holland, the Assistant Secretary of State for Inter-American Affairs, reaffirmed the general attitude of the Executive branches. He did not consider it necessary to give any loan or grant to Latin America. If Congress determined to appropriate more funds, it should be done with the "loan funds to the Eximbank and grant aid funds as a contingent fund to be managed by the International Cooperation Administration (ICA)".²⁵ Moreover,

²⁴ R. Harrison Wagner, *United States Policy Toward Latin America: A Study in Domestic and International Politics* (California: Stanford University Press), p. 101.

²⁵ Foreign Relations of the United States, the American Republics, "Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Under Secretary of State (Hoover)," in Historical Documents, *FRUS* 1955-1957, Vol. VI, June 15th, 1956.

Holland acknowledged that he was yet to receive a letter clarifying different views between the ICA and the State, or words to that effect. This letter had been sent to the Senate Foreign Relations Committee but he was not consulted. Holland said “If they are as reported to me I disapprove the letter and feel it would be a serious political mistake to send it”.²⁶ Holland referred to Smathers’ disposition claiming that:

Senator Smathers is offended by the terms of the letter referred to and that he is determined to press his proposal. I am further advised that it might be possible to persuade Senator Smathers to abandon his existing proposal for something more reasonable such as a considerably smaller appropriation for something like exchanges of persons.²⁷

Smathers demonstrated his strong determination to propose a developmental fund for Latin America while Holland contemplated current loan funds managed by the Eximbank and grant aid funds administered by the ICA would be adequate. In Eisenhower’s foreign policy mechanism, even though tensions intensified between the Executive Branches and Congress, Smathers’ efforts to increase public capital to Latin America were never thwarted. The question is whether Smathers’ efforts were incorporated into Eisenhower’s policy? How did Eisenhower or other bureaucrats settle interdepartmental differences?

²⁶ *Ibid.*

²⁷ *Ibid.*

In the face of Smathers' requests, Robert C. Hill, the Assistant Secretary of State for Congressional Relations, explained half of the developmental funds (\$37,500,000 out of \$50,000,000) "would be available for loans and the remainder for grants". The DOS reaffirmed that Latin American countries seek public loans through the International Bank and the Eximbank, with the latter having more experienced personnel and more familiar loan responsibilities and procedures in Latin America. Hill commented that the current loans and money were sufficient to "meet all present and foreseeable needs during the coming fiscal year in the fields to which they relate".²⁸ As a result, the DOS suggested that any loan or contingency fund set by Congress be managed by the ICA. Supposing that Congress efforts could be incorporated into an integrated policy review, whether the Smathers Amendment should be managed by the Eximbank or by the ICA has become the root cause of interdepartmental differences.

The Deputy Assistant Secretary of State, Rubottom, identified possible economic needs for Latin America, beginning with a carry-over (\$29 million) at the end of FY 56 - Congress appropriated up to \$37 million for FY 57. Approximately \$15 million

²⁸ Foreign Relations of the United States, the American Republics, "Letter From the Assistant Secretary of State for Congressional Relations (Hill) to Senator Walter F. George," in Historical Documents, *FRUS* 1955-1957, Vol. VI, June 28th, 1956.

would go for the Smathers Amendment in FY 58. About \$108 million would be given to Bolivia and Guatemala. He did not estimate any appropriation for FY 59 with regard to the Smathers Amendment owing to its “uncertain future”. His comments were worthy of attention:

It need not figure in our discussion at the moment, especially if we are successful in placing it under the Eximbank for administration - actually, we should not forget that, whoever administers it, we [U.S.] are not limited in our loan authority to just 75 per cent of the \$15 million, but could actually loan more than 75 per cent and up to the full amount, if we so decided.²⁹

The DOS expected that the Eximbank could take over the Smathers Fund while Congress contemplated the ICA being able to handle it. The chairman of the Eximbank, Sam Waugh, showed no inclination to managing the fund.³⁰ The director of the ICA, John B. Hollister, agreed with Congress that this fund should be administered and put under the responsibility of ICA but he could not agree that it should be limited to “the kind that the Export-Import Bank is now financing”.³¹ On

²⁹ Foreign Relations of the United States, the American Republics, “Memorandum From the Deputy Assistant Secretary of State (Rubottom) to the Assistant Secretary of State for Inter-American Affairs (Holland),” in Historical Documents, *FRUS* 1955-1957, Vol. VI, August 22nd, 1956.

³⁰ Foreign Relations of the United States, the American Republics, “Memorandum From the Director of the International Cooperation Administration (Hollister) to the Under Secretary of State (Hoover),” in Historical Documents, *FRUS* 1955-1957, Vol. VI, September 14th, 1956.

³¹ Foreign Relations of the United States, the American Republics, “Memorandum From the Director of the International Cooperation Administration (Hollister) to the Acting Assistant Secretary of State for Inter-American Affairs (Rubottom),” in Historical Documents, *FRUS* 1955-1957, Vol. VI, September 28th, 1956.

30th October 1956, Rubottom concluded that “the Fund would have to be administered by the ICA with the Eximbank acting as agent for ICA as it does in the case of other loans made by the latter agency”.³² From my observation, the role of Rubottom was much like a coordinator; the U.S. economic policy toward Latin America was coordinated by different agencies and joint efforts, recommendations of which were reviewed and refined by the Executive Branches.

In a meeting with Senator Smathers on 26th March 1957, Rubottom commented that the Administration benefited to the greatest degree from the current trade and investment policy. Yet, a gap has been identified because the Administration has not done so much for public welfare like education, health and agriculture. The U.S. technical cooperation program could partly bridge the gap. Another gap arising from Guatemala, Bolivia and Haiti has been filled by the grant aid used for specific purposes like emergencies or crises. Senator Smathers articulated that his program aimed to bridge the gap that could not be filled by loans or private capital. In addition, Rubottom showed that one-third of Latin American countries would be supplied by the agricultural assistance, P.L. 480. The U.S. would move towards “a more liberal

³² Foreign Relations of the United States, the American Republics, “Memorandum of a Conversation, Washington, October 30, 1956,” in Historical Documents, *FRUS* 1955-1957, Vol. VI, October 30th, 1956.

loan policy and redouble efforts to encourage responsible, honest and efficient government administration in Latin America”.³³ This document has revealed that liberal bureaucrats like Rubottom and Smathers demonstrated a high level of idealism in bridging the policy gap, urging the expansion of the aid program must go down to Latin American nationals but they recognized dishonesty in the management of the government such as political corruption and nepotism in the military.³⁴ In my analysis, the U.S. economic policy oscillated between economic liberalism and operational feasibility, which constrains the development of Latin American policy in the future.

The Smathers Fund was the first attempt for Congress to expand the flow of public capital but not the last attempt. It was seen as a prelude to the DLF. In 1957, Eisenhower encountered a struggle with Congress over a revision of the MSA for 1958. Eisenhower advocated a policy shift through the MSA and Congress created the DLF within the U.S. economic foreign policy.³⁵ According to the memorandum from Holland to Hoover, the memorandum raised concerns of limited public capital to Latin America operated by the Executive Branches. Currently, only Paraguay,

³³ Foreign Relations of the United States, the American Republics, “Memorandum From the Director of the Executive Secretariat (Howe) to the Under Secretary of State (Hoover),” in Historical Documents, *FRUS* 1955-1957, Vol. VI, March 26th, 1957.

³⁴ *Ibid.*

³⁵ Kaufman, *Trade and Aid: Eisenhower’s Foreign Economic Policy, 1953-1961*, pp. 106-107.

Honduras, Bolivia and Haiti fitted into the eligibility of the DLF operations but other Latin American countries were not considered. The Senate Foreign Relations Committee reported that the individual Latin American country being excluded from its application had much to do with issues of its economic condition and its own financing capacity as shown in the history. The report has revealed that either the Senate Foreign Relations Committee or the House Foreign Affairs Committee urged that the DLF liberate the loan restrictions and make Latin American countries gain “equal access with other nations of the world to the Development Loan Fund in accordance with criteria established for the DLF”.³⁶ The expansion of the public capital came from two sources; one was from the Smathers Fund and the other was from the DLF. Both demonstrated high levels of Congress participation to meet Latin American requests. What was the administrative consideration in dealing with these two public funds when making appropriation?

According to a memorandum from Rubottom to Dillon on 20th December 1957, either MSA or the Smathers Amendment could provide a loan to improve public infrastructure. The appropriation of \$25 million for that purpose was not made by

³⁶ Foreign Relations of the United States, the American Republics, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Under Secretary of State for Economic Affairs (Dillon),” in Historical Documents, *FRUS* 1955-1957, Vol. VI, December 20th, 1957.

Congress partly because Senator Smathers and other Congressmen considered that the efficacy of the Smathers Amendment could be achieved by the DLF and MSA Special Funds. Moreover, the Executive Branches did not support the appropriation of funds out of the Smathers Amendment for the same purpose.³⁷ William P. Snow, the Deputy Assistant Secretary of State for Inter-American Affairs, said before the House Appropriations Committee:

We do not consider this a necessary provision to make because the type of loan contemplated by Senator Smathers is also contemplated under the new Development Loan Fund ... and that the sort of loan contemplated would come under that Fund.³⁸

In my analysis, the fallout of the SEO could be summarised into three points. First and foremost, Eisenhower advocated an adjustment on the defence assistance within the MSA. Although Latin America was not the major target of the SEO, it motivated the DOD to standardize Latin American military equipment through the reimbursable basis. Second, the SEO gave Congress an impulse to expand public capital to Latin America. The Smathers Fund was the first attempt that Congress made to Latin America, which was a prelude to the DLF. Third, Congress's expansion of public capital was definitely opposite to Humphrey's philosophy. Humphrey did not support any liberation of loan restrictions for public capital, nor did he agree with the DOS to

³⁷ *Ibid.*

³⁸ *Ibid.*

put the Smathers Fund under the Eximbank. The shift in aid policy following the SEO aimed to win support from neutralist leaders in the Third World nations in the context of Cold War tensions between the U.S. and the Soviet Union.

Nonalignment and Neutralism: the Emerging Nations in the Third World

The rise of nationalist sentiment in the Third World triggered the struggle for decolonization against the Cold War context. The newly emerging nations in Asia, Africa and Middle East offered a new perspective to understand the Cold War dominated by the U.S. and the Soviet Union. Nonalignment has become the rising force to challenge the influence of the superpowers. The Asian-African cultural and economic cooperation, known as the Bandung Conference, was held from 18th April to 24th April 1955 with a diversity of political orientations such as “neutralism, communism, socialism and democracy”.³⁹ The principle of the self-determination was the core value of local aspirations, which strengthens the importance of sovereignty and non-interference in domestic affairs. According to Jason Parker, he argued that the Eisenhower administration undertook the “psychological Cold War” against communism through the alliances and proxies. His analysis of the Bandung Conference was summarized into the following points. First, the neutralist in the

³⁹ Saunders Redding, “The Meaning of Bandung,” *The American Scholar*, Vol. 25, No. 4 (Autumn, 1956), p. 412.

Third World was considered as a potential shift in the international milieu. Second, China's participation in the Bandung Conference signified communist expansion in Asia. In this respect, China's motive was suspicious lest Nehru's neutralism would be challenged by the rising position of China. Either the first or the second point presented a threat.⁴⁰

The Bandung Conference highlighted the contradictions in the U.S. global foreign policy; that is to say, the U.S. would irritate its colonialist allies in Europe such as France, the U.K., and the Netherlands if the U.S. appealed to Third World nations and favoured their political value of self-determination. The Conference definitely contributed to "the American conclusion that European colonialism was becoming more a Western liability than an asset". However, no specific action has yet been generated from the abstract conclusion.⁴¹ The White House formed a "working group" on the Afro-Asian conference from various organizations like the Office of Intelligence Research (OIR), the CIA, OCB, DOS, DOD, and USIA to launch propaganda against Soviet-Chinese communism, which was based on Dulles'

⁴⁰ Jason Parker, "Cold War II: The Eisenhower Administration, the Bandung Conference, and the Reperiodization of the Postwar Era*," *Diplomatic History*, Vol. 30, No. 5 (November 2006), p. 867. p.871.

⁴¹ *Ibid.*, p. 886. p.888.

initiative.⁴² In addition, the Bandung Conference reflected consciousness of racial tensions. Thomas Borstelmann indicated that the Conference was the convergence of racial issues such as the Ghanaian independence in March 1957, Suez in October 1956 and the Little Rock crisis in September 1957. The U.S. unfolded its strategy with caution to articulate U.S. friendly attitude and to convey the impression that communism should be the new form of colonialism.⁴³

In my view, the neutralist nations in Asia or Africa were more likely to side with one of the superpowers on a specific agenda than to stay with either forever. Both the U.S. and the Soviet Union appealed to the neutralist nations in the Third World by providing military and economic assistance as an incentive. In this respect, alliances would be formed by their respective interests rather than ideology. The concept of neutrality might have an impact on the international system dominated by two superpowers. The alliance ties tend to be of short duration - often determined by a political agenda and any other form of incentive. For the U.S., the shift from Third World nations to the Western bloc visualizes the rollback strategy against the Soviet communism. However, with China's participation in the Bandung Conference, Chinese communism was the new target and China identified itself with Afro-Asian

⁴² *Ibid.*, p. 874.

⁴³ *Ibid.*, p. 876. p. 889.

nations under a neutralist against colonialism. The Bandung Conference in Indonesia prioritized the U.S. agenda arrangement, putting Asia, Africa, and the Middle East over Latin America.

Eisenhower's invocation of neutrality aimed to create a political advantage without paying a heavy cost among non-communist countries. According to the 277th Meeting of the National Security Council, Eisenhower observed that neutrality was loosely used and he "explained that it was erroneous for people to charge that there could be no genuine neutrality in the world between the Communist and the Western nations".⁴⁴ Eisenhower observed that some nations were subject to communism threat since they "made military commitments to the U.S." The definition of morality, as perceived by Eisenhower, means "a moral, spiritual and possibly a political to our [the U.S.] side but not necessarily a military commitment".⁴⁵ Therefore, the U.S. must fortify economies and military strength via the Mutual Security Program both in Eastern and Western blocs. Eisenhower considered trade as a centrifugal force of the Soviet bloc given the fact that some Latin American countries expected more economic aid from the White House. The Deputy Secretary of Defense, Reuben B.

⁴⁴ Foreign Relations of the United States, National Security Policy, "Memorandum of Discussion at the 277th Meeting of the National Security Council," *FRUS* 1955-1957, Vol. XIX, February 27th, 1956.

⁴⁵ *Ibid.*

Robertson, added that many countries on the borders of the Soviet Bloc would not be willing to join one or the other blocs. Rather, they preferred to stay neutral, welcoming assistance from the U.S. provided they did not have to take sides to qualify. Stassen expressed economic assistance on a regional basis was the method to strike back the new Soviet tactics. He criticized that the current policy should strengthen “the ideas of extending U.S. aid on a regional rather than an individual country basis”.⁴⁶

The Bandung Conference preceded the SEO in Asia as a watershed to represent a potential change of the international milieu - Chinese communism tried to strengthen its influence in Third World nations and alienate nonaligned nations from the U.S. and the Soviet communism. According to Harold M. Vinacke, he put forward three reasons to explain why Asian neutralists conceived of a nonalignment principle in their diplomatic tactic. First, geopolitically speaking, those neutralist nations were close to China and of much significance. Second, their economic development moved towards socialism; their domestic policies went against communism. Third, neutralism could be viewed as a claim to be politically independent from the U.S. that positively pursued a mutual security program to help them. On the other hand, “the

⁴⁶ *Ibid.*

Soviet Union had not yet entered the competition to assist under-developed countries”.⁴⁷ It seems to me that the neutrality means to get rid of the traditional ideologies in the Cold War context, putting aside ideological differences and pursuing their own national objectives. They were not militarily committed to either blocs, nor did they actively get involved in a world conflict.

The third point is the most interesting point. Presumably, the Soviet’s foreign program to the Third World did not compete with the U.S., did the following SEO fundamentally challenge the U.S. national security in Third World nations? To what degree were Third World nations subject to ideological appeal? It is assumed that U.S. relations to Third World nations are subject largely to concrete advantage but not to any ideological appeal. For example, U.S. economic relief programs to Third World nations, trade tariffs and strategic values of the Panama Canal and military accessories. Economic interests and sea lines of communication all belong to the definite advantage. It is necessary to examine how the U.S. foreign assistance policy fits in the following cases.

⁴⁷ Harold M. Vinacke, “Communist China and the Uncommitted Zone,” *Nonalignment in Foreign Affairs*, Vol. 362 (Nov. 1965), p. 114.

Mexico: Bureaucratic Disputes over Approaches to U.S. Interests

U.S. loans to Mexico were conditional; that is to say, the Mexican government would have to meet certain requirements. In a memorandum with the Mexican President, Adolfo Ruiz Cortines, Eisenhower expressed his vision of loans and funds towards Mexico. His position on foreign loans never deviated from the general economic policy, suggesting that the Mexican businessmen get external funds through the channels of the World Bank and the Eximbank or American businessmen so long as the Mexican government encouraged this. He reaffirmed that the U.S. did not intend to get more “allies against communism” at this meeting and there was a probability of the Soviet communism engaging in disruptive activities in Mexico.⁴⁸ It seems to me that it is very hard to calculate the probability of the Soviet threat and it is indeed subjective. The Soviet communism acting as an ideology to win the Cold War was clear; however, would the U.S. be generous with economic aid if there was no distinct world conflict?

Whether to use economic aid to achieve ends, the DOS and the Eximbank had disputes over a \$26 million loan to Mexico. According to a memorandum, the Deputy

⁴⁸ Foreign Relations of the United States, the American Republics, “Memorandum of a Conversation, White Sulphur Springs, West Virginia,” in Historical Documents, *FRUS* 1955-1957, Vol. VI, March 27th, 1956.

Under Secretary of State for Economic Affairs, Herbert V. Prochnow revealed that he had a call from the chairman of the Eximbank (Waugh) complaining about the DOS's decision to postpone the loan for 'Fundidora de Fierro y Acero de Monterrey'. He personally considered \$26 million was large and this would need a proper review. From Waugh's viewpoint, putting off this credit would "give the Bank a bad reputation". He said "it is a mistake to delay a credit to a private company in Mexico".⁴⁹ In fact, the DOS did not refuse the Mexican requests; however, it was concerned about the Mexican policy. The deferral would give the U.S. valuable time to clear some issues between the U.S. and Mexico.⁵⁰

The dispute was brought to the National Advisory Council (NAC) for discussion with the presence of Marshall M. Smith from the Department of Commerce (DOC). He indicated that the DOC did not oppose the credit but agreed with the DOS's decision to postpone for reconsideration.⁵¹ In my analysis, one of characteristics during Eisenhower's administration is the interdepartmental review of the policy. Even though there were bureaucratic disputes, this foreign policy mechanism could at least

⁴⁹ Foreign Relations of the United States, the American Republics, "Memorandum From the Deputy Under Secretary of State for Economic Affairs (Prochnow) to the Under Secretary of State (Hoover)," in Historical Documents, *FRUS* 1955-1957, Vol. VI, April 17th, 1956.

⁵⁰ Foreign Relations of the United States, the American Republics, "Editorial Note 224," in Historical Documents, *FRUS* 1955-1957, Vol. VI.

⁵¹ *Ibid.*

act as a resolution before serious conflicts. Meanwhile, the disadvantage was that the interdepartmental meeting was held by dominating bureaucrats that often politicized the original agenda.

The DOS indeed drew some outstanding issues between the U.S. and Mexico such as broadcasting, aviation and business agreements. Apart from this, an unfriendly environment for the U.S. investment suggested a less collaborative attitude towards U.S. national interests. Foreign investors were allowed to do labor intensive industries like mining and power while other industries like commercial and manufacturing sectors were largely funded by Mexican capital. Even though President Ruiz Cortines recognized the importance of foreign capital, he did not take measures to adjust the current policy unfavourable to foreign investment. U.S. investors, for one reason or another, were worried about the economic development in Mexico. The DOS showed that the credit loan of \$26 million would be possible if President Ruiz Cortines could be more cooperative.⁵² From my judgement, U.S. economic interests overshadowed its security concern; in other words, the ideological influence was less important than a more favourable environment for U.S. investors. That the U.S. used foreign aid to

⁵² Foreign Relations of the United States, the American Republics, "Memorandum Prepared in the Office of Middle American Affairs," in Historical Documents, *FRUS* 1955-1957, Vol. VI, May 3rd, 1956.

advance its economic interests was evident; however, the DOS and the Eximbank took different approaches to achieve U.S. goals. Still, more incentives could be used as political leverage to advance U.S. objectives in Latin America.

As far as the agricultural industry was concerned, P.L. 480 was the program where Mexico could sell surplus agricultural products abroad through the local currencies accrued to dollars. This was another method where the U.S. could exercise its influence on Mexico to advance political objectives. It was not until March 1957 that the Mexican Minister of Agriculture inquired about the P.L. 480 (500,000 tons of corn). The Bureau of Inter-American Affairs and the Assistant Secretary of State for Economic Affairs and Agriculture made a joint response that the Title 1 funds aimed to supply those countries with more severe foreign exchange difficulty; this made Mexico's request unlikely. The Minister of Finance suggested Mexico seek another approach with a low interest repayment such as credit resources. In this respect, Rubottom did not agree but argued "U.S. interests could be best served if the U.S. could accede to Mexico's request".⁵³ In my judgement, the U.S. goal was to weaken the Soviet influence; however, bureaucrats took different means to achieve this goal.

⁵³ Foreign Relations of the United States, the American Republics, "Memorandum From the Acting Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Assistant Secretary of State for Economic Affairs (Kalijarvi)," in Historical Documents, *FRUS* 1955-1957, Vol. VI, April 30th, 1957.

The SEO was nothing more than propaganda causing indirect impact on Latin America. Being neutral did not mean generosity of economic aid from the U.S.

The Mexican government also demonstrated its interests in acquiring military aid on a reimbursable basis. There were a series of discussions about this from the January of 1957. The Mexican government considered that the normal military aid on a reimbursable basis was three years – and it should be longer. From a collective-defense concern, the NAC agreed to look over it.⁵⁴ According to the NIE report on 13th August, \$10 million was given to the Mexican government to buy military facilities and equipment on a reimbursable basis.⁵⁵ No matter what methods were used to advance the U.S. objectives in Mexico, it is important to look at its society and analyse why Mexico was less vulnerable to the Soviet propaganda. First and foremost, Mexico was constitutionally a federal government that demonstrated “political maturity and economic viability” through the one-party system. President Ruiz Cortines was reactive to the large population. Second, Mexico was in the process of modernization encouraged by the increasing middle class. Bound by the

⁵⁴ Foreign Relations of the United States, the American Republics, “Memorandum From the Acting Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State,” in Historical Documents, *FRUS* 1955-1957, Vol. VI, May 3rd, 1957.

⁵⁵ Foreign Relations of the United States, the American Republics, “National Intelligence Estimate,” in Historical Documents, *FRUS* 1955-1957, Vol. VI, August 13th, 1957.

constitutionalism, the military was inactive in politics. Third, Mexico and the U.S. embraced the concept of collective security in the hemisphere. Fourth, the liberalism was fused with Marxist socialism during the Mexican Revolution. Local communists played little influence.⁵⁶

Panama: Nationalization of the Suez Canal and Its Impact on the Panama Canal

When Bulganin launched ideological propaganda, the belief that the Soviet infiltration might prevent U.S. sea lines of communication and strategic access to raw materials was deepened by military bureaucrats such as Murphy. As discussed earlier, Murphy emphasized that U.S. sea lines of communication and raw material supply were vulnerable to the Soviet penetration when tensions rose between the U.S. and the Soviet communism.⁵⁷ The most valuable line of communication in the Caribbean Sea was the Panama Canal. On 14th June 1956, the Panamanian government was informed of radar installations on two hilltop sites with the primary purpose of protecting the Panama Canal but this request was turned down by the Panamanian government in May 1955 as a result of differences of interpretation of Article II of the 1936 Treaty. However, the Panamanian government demonstrated willingness to carry on

⁵⁶ *Ibid.*

⁵⁷ Please refer to pages 127-128 of this thesis.

negotiations for a new treaty regarding the use of these sites.⁵⁸ The dispute arose from differences of interpretation of Article II of the 1936 Treaty from both sides. The Hay–Bunau-Varilla Treaty 1903 was one of the most important documents in the history of U.S.-Panama relations.

According to Charles D. Ameringer, he observed that on 19th January 1904, “Philippe-Jean Bunau-Varilla assured Hay that Article II of the Treaty gave the U.S. all the land and water it needed for the canal and its appurtenances, and there were no restrictions on sanitation measures”.⁵⁹ In this case, the Department did not want to meet the Panamanian government halfway and refused to get into any further formal treaty on radar installations. Hence, the Department was ready to “negotiate an agreement limited to a lease governing the sites, as was done in 1942 and 1947”. The Panamanian Assembly would review it for ratification or approval. In accordance with Public Law 161, the Secretary of the Army was authorized to build up military facilities, site preparation, and other public utilities that totalled about \$223,993,000. The negotiation would concentrate on radar installation and the Panamanian

⁵⁸ Foreign Relations of the United States, the American Republics, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Secretary of State,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, June 14th, 1956.

⁵⁹ Charles D. Ameringer, “Philippe Bunau-Varilla: New Light on the Panama Canal Treaty,” *Hispanic American Historical Review*, Vol. 46 (Feb. 1966), p. 51.

government would need to carry it through to the end without delay.⁶⁰

In a conversation with Eisenhower, President Arias used this opportunity to arouse attention about U.S.–Panama relations that were normally overlooked by the U.S. President. Despite the disputes over Article II, there were more issues between the U.S. and Panama such as the “equal pay” wage scale. Arias proceeded with a series of issues:

the Zone residents are exempt from most of the Panama tax. Smuggling liquor from the Zone to the Republic is growing. He said it is no problem for him to get a case of whiskey from friends in the Zone.⁶¹

In this context, taxation seemed to have become the issue between the U.S. and Panama but that was all a façade. The underlying theme behind it was the matter of political sovereignty; taxation was used as a tactic to negotiate for political gains. Arias’ effort was considered as a test of U.S. attitude towards the Canal management. If Eisenhower weakened the U.S. claim to the Canal management, the Panamanian government could gain a relative degree of sovereignty over the Panama Canal. For Arias, the conversation had one implication; that is, he actually tried to strengthen the

⁶⁰ Foreign Relations of the United States, the American Republics, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Secretary of State,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, June 14th, 1956.

⁶¹ Foreign Relations of the United States, the American Republics, “Memorandum of a Conversation, Ambassador’s Residence, Panama City, July 23, 1956,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, July 23th, 1956.

level of his influence to bargain in the negotiation.

The U.S. attentively responded to this issue indicating that the U.S. had been granted the right to import items into the Canal Zone without Panamanian duty. FDR issued the Executive Order of 1935 that granted Panama a monopoly to sell liquor within the Canal Zone in accordance with Panamanian taxation. Given the fact the taxation accrued was to excess, the Panamanian government decided to make a 75% taxation reduction in the 1955 Treaty if the U.S. could keep buying goods from Panamanian merchants. The smuggling problem came from “the availability of alcoholic beverages at a reduced price when sold for importation into the Canal Zone”.⁶² Apparently, there was a faint chance for the Panamanian government to gain any bargaining advantage at the negotiation through the smuggling issue. The Panama Canal was strategically important to the U.S. but Panama’s claim to the Panama Canal never ceased. Arias tried to escalate the issue when Gamal Abdel Nasser nationalized the Suez Canal.

The nationalization of the Suez Canal in 1956 could lead to a wave of eventual

⁶² Foreign Relations of the United States, the American Republics, “Memorandum From the Acting Secretary of the Army (Finucane) to the Secretary of Defense (Wilson),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, July 31st, 1956.

internationalization or nationalization of the Panama Canal. The Memorandum of a Conversation on 9th August 1956 has confirmed that there were two possible courses that the Panamanian Government might take - one was to compare the Panama Canal to the Suez Canal and the other was to bypass the Suez problem and to wait for a more opportune time to advance Panama's national interests. For the first course, Panama would be asked to take a position either with the U.S. or with Egypt if Panama were to take part in the London Conference. Panama's position to embrace Nasser's nationalistic policy would be described as a move against U.S. goodwill on the one hand but on the other hand the government should incur domestic pressures from leftists if it identified itself with the U.S. position.⁶³ From the U.S. perspective, there was no analogy between the Panama Canal and the Suez Canal as far as the treaty right was concerned.

In terms of the treaty status, there were three differences. First, the Panama Canal was run by the Isthmian Canal Commission, a governmental agency. The Suez Canal, however, was held based on a private concession known as the Suez Canal Company. The U.S. was granted the perpetual sovereignty to exercise broad rights over the Canal area against any purported claim to its exercise of power by the Panamanian

⁶³ Foreign Relations of the United States, the American Republics, "Memorandum of a Conversation, Panama City, August 9, 1956," in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 9th, 1956.

government. Second, the Suez Canal was composed of a multilateral treaty while the Panama Canal was based on bilateral treaties. Therefore, the contracting parties in the Suez Canal were the U.K. and France but the U.S. had exclusive jurisdiction over the Panama Canal.⁶⁴ Panama's aspiration to invoke the nationalization of the Suez Canal was another move to counteract the U.S. claim to exercise sovereignty rights over the Canal area. It is important to note that drawing the Suez Canal was an outlet for domestic pressure from Panamanian leftists. The disputes of sovereignty over the Panama Canal broadened as global tensions arose due to the struggle between the U.S. and the Soviets engaging in the Suez Canal. With the rise of nationalistic sentiment in the Suez Canal, did the U.S. meet the Panamanian government halfway on the sovereignty of the Canal?

If the public of the U.S. was fervently worried about the fallout of the Suez crisis at this moment, it would be a good chance to effect radar installations contiguous to the Canal Zone. As a result, "the effect on the public and Congress of the U.S. would be very favorable".⁶⁵ Whether to install radar on two hilltops nearby the Canal Zone or

⁶⁴ Foreign Relations of the United States, the American Republics, "Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State," in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 6th, 1956.

⁶⁵ Foreign Relations of the United States, the American Republics, "Memorandum of a Conversation, Panama City," in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 9th, 1956.

not, there were different positions on radar sites in Panama within the Department of the Army. According to the memorandum of a conversation on 3rd October 1956, Charles C. Finucane, who was the Under Secretary of the Army, was concerned about the necessities of installing radar nearby the Panama Canal while the Deputy Assistant Secretary of the Army, Edward Bacon, considered that radar sites in Panama would be required in the long run. Finucane said that technology has improved rapidly and the U.S. request for radar sites was outdated.⁶⁶ No matter what kind of program and military facilities the U.S. were to establish in the Panama Canal, the sovereignty dispute grew and manifested in the Canal management connected with the nationalization of the Suez Canal. The Suez Crisis presented an analytical framework from state level to understand its impact on local politics.

Nicaragua: Request for Limited P.L. 480 Sales

U.S. military and economic assistance was the determinant in the Nicaraguan struggle for national leadership. Those who received foreign aid programs from the U.S. tended to convince the public of U.S. support but Latin American national leaders

⁶⁶ Foreign Relations of the United States, the American Republics, "Memorandum of a Conversation, Department of a Conversation, Department of State, Washington," in Historical Documents, *FRUS* 1955-1957, Vol. VII, October 3rd, 1956.

walked a fine line between the local nationalists and the U.S. policy objectives.⁶⁷ The U.S. was also careful about when it came to dole out foreign aid programs to Nicaragua. Even though Anastasio Somoza García ran Nicaragua from 1950 to 1956 and had close relationships with the U.S., this did not mean Nicaragua could get the foreign aid program for which it asked. This section argues that the essence of partnership was defined by favourable purchases not against U.S. marketing under a P.L. 480 agreement. As a result, the U.S. could only provide partial help in P.L. 480 because most products the Nicaraguan government required would possibly displace the usual market defined by its import requirement.⁶⁸

The Nicaraguans would not be able to buy white corn and red beans from the Commodity Credit Corporation (CCC) if it did not have permission. Neither white corn nor red beans were available in CCC stocks. The U.S. recommended that the Nicaraguans utilize ordinary commercial channels to acquire them as El Salvador did. The Nicaraguan government did not meet the requirements for the following four reasons. First and foremost, no clear discrimination had been made by the Nicaraguan

⁶⁷ Michael D. Gambone, *Eisenhower, Somoza, and the Cold War in Nicaragua 1953-1961* (Praeger Publishers, California, 1997), p. 9.

⁶⁸ Foreign Relations of the United States, the American Republics, "Memorandum From Park F. Wollam of the Office of Middle American Affairs to the Assistant Secretary of State for Inter-American Affairs (Holland)," in Historical Documents, *FRUS* 1955-1957, Vol. VII, April 27th, 1956.

government between “imports through usual commercial channels and purchases required under a P.L. 480 agreement” that would “displace the usual commercial U.S. marketing”. Second, the dollar revenues of cotton and coffee were expected to fall and the Inter-Agency Committee would not consider it proper for the program. Third, the unlimited production of cotton would continually displace corn and beans even if P.L. 480 sales were allowed. Fourth, Nicaragua was not listed as allowed “the loan of local currencies”.⁶⁹

In January 1956, Nicaragua’s request to buy red beans and white corn from the U.S. surplus stocks was not through Title I of P.L. 480. The application was therefore turned down by the Inter-Agency Staff Committee on 24th April. However, the Bureau of American Republics expected that the Government of Nicaragua could get at least limited amounts of surplus commodities under Title I of P.L. 480. From the DOS perspective, limited amounts of purchase would not conflict with usual marketing on these items as Nicaragua was normally self-sufficient and even an exporter at times. Thus, “a small sales program under P.L. 480 (in the neighborhood of US \$700,000) would provide funds for U.S. uses and market development, but would probably not

⁶⁹ *Ibid.*

allow any funds for development loans”.⁷⁰ The Department of Agriculture (DOA)

suggested that Nicaragua be more expeditious in getting P.L. 480 sales upon a credit

basis. According to the DOA, it revealed that:

[the Department of Agriculture] is temporarily confronted by a shortage of appropriated funds with which to finance outstanding Title I, P.L. 480 programs to which the United States has committed itself by opening negotiations with certain countries or otherwise.⁷¹

Obviously, P.L. 480 Title I aimed to support countries with difficulties of foreign

exchange but Nicaragua was not the area to be financed on local currencies. However,

Nicaragua would still be considered under P.L. 480 Title I on credit terms. On 25th

April 1956, the DOA provided an export credit program under the CCC stocks to

handle Nicaraguan purchases, indicating the Nicaraguan government should not have

any problem in finding guarantees to “qualify under the CCC export credit

program”.⁷² Under such a favourable circumstance, the Nicaraguan government was

supposedly on its track to get P.L. 480 assistance on a credit basis. But, the reality was

⁷⁰ Foreign Relations of the United States, the American Republics, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Deputy Under Secretary of State for Economic Affairs (Prochnow),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, May 14th, 1956. A small sales program under P.L. 480 is about US \$700,000.

⁷¹ Foreign Relations of the United States, the American Republics, “Memorandum From the Deputy Under Secretary of State for Economic Affairs (Prochnow) to the Assistant Secretary of State for Inter-American Affairs (Holland),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, May 17th, 1956.

⁷² *Ibid.*

that the DOA did not have adequate resources to support Nicaragua. According to Wollam's letter to the Ambassador in Nicaragua, Park F. Wollam, who was the Officer in Charge of Nicaraguan Affairs, argued that:

Agriculture has over-expended its allotment for P.L. 480 transactions by about \$80 million. It is impossible to get any action on the Nicaraguan request under these circumstances. Additional funds are being sought, however, and it is expected that the P.L. 480 program will be back in business in a few weeks.⁷³

The sharp turn of the DOA's approach did not deteriorate bilateral relations. First, the temporary postponement did not mean that there was no chance for the Nicaraguan government as long as the P.L. 480 program came back. Second, other funds were still available, such as the Corinto Port loan and the Eximbank loan, with the latter contributing to their share of the Inter-American Highway cost. The Nicaraguan government could seek additional funds so it would not be empty-handed.⁷⁴

Venezuela: Military Aid and the Purchase of Oil Pipe

President Eisenhower had congenial relations with Venezuelan President, Marcos Pérez Jiménez. Not only did Jiménez demonstrate his tough position against communism but he also supported investment policy favourable to U.S. private

⁷³ Foreign Relations of the United States, the American Republics, "Letter From the Officer in Charge of Nicaraguan Affairs(Wollam) to the Ambassador in Nicaragua," in Historical Documents, *FRUS* 1955-1957, Vol. VII, May 23rd, 1956.

⁷⁴ *Ibid.*

enterprises. Venezuela was often praised by the leading bureaucrats as a good example among Latin American nations. Holland told Congressmen in the hearing in 1956 that “Venezuela is a sort of showcase of private enterprise and it had a standard of living that far exceeded that of any other Latin American country”.⁷⁵ Dulles commented that “if other nations emulated Venezuela in creating a climate which is attractive to foreign capital... the danger of Communism in South America, of social disorder will gradually disappear”.⁷⁶ In Venezuela, national security and foreign investment were two themes to understand the interactions between the U.S. and Venezuela.

First of all, during the 1950s, the U.S. provided Venezuelan soldiers with military training, equipment and maintenance under the MSA that granted Venezuela credits to buy military arms.⁷⁷ On 28th August 1956, the DOS bureaucrats discussed the sale of arms to Venezuela, adding up to 400 million dollars credit. Holland listed two main concerns. First, a commitment had been made to grant up to three years of credit or longer terms and the question was whether the U.S. was to fulfil the commitment. Second, there was no need to keep the Venezuelan security domestically through the sale of arms. The threat that the Venezuelan government had was a palace revolt by

⁷⁵ Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America*, p. 94.

⁷⁶ *Ibid.*

⁷⁷ Stephen G. Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Texas: University of Texas Press, 1982), pp. 126-127.

the armed forces rather than any popular uprising. Holland added “a substantial increase in the armed strength of Venezuela will surely set off a chain reaction leading to arms increases in Colombia, Peru, Ecuador and Chile. The same chain reaction would extend through Brazil and Argentina”.⁷⁸ Holland’s statement pointed out that if the internal security in Venezuela presented no security concern, should the U.S. fulfil or rebalance the commitment?

In March 1956, Venezuela had requested a large amount of U.S. equipment over more than ten years and the duration for repayments lasted for ten years. Venezuela was convinced that the U.S. would make a commitment to furnish Venezuela with the military equipment. For that reason, the final decision would be taken as an indication of whether the U.S. wanted to improve bilateral relations.⁷⁹ In December, Rubottom spoke to César Gonzalez, who was the Ambassador of Venezuela to the U.S., on the issue of military equipment. The decision to extend the \$180 million program over the next ten years hinged on two criteria - one was the yearly “Congressional appropriation to finance the military equipment” and the other was the “annual

⁷⁸ Foreign Relations of the United States, the American Republics, “Memorandum of a Conversation, Department of State, Washington,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 28th 1956.

⁷⁹ Foreign Relations of the United States, the American Republics, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Under Secretary of State (Hoover),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, September 10th, 1956.

approval of the NAC". Rubottom added that even though some bureaucrats considered the granting of military credit could possibly lead to an arms race in Latin America, he held that the approval of the military equipment would be beneficial to the U.S.-Venezuela relations.⁸⁰ In addition to the military aid, U.S. policy towards Venezuela was influenced by a greater degree of U.S. investment in oil resources.

The connections between national security and foreign investment lay in the U.S. strategic access to oil resources. According to Rabe, U.S. policy objectives in Venezuela were largely advanced by an "adequate supply of petroleum for the U.S., especially in time of war". The DOS would need to ensure that Venezuela's oilfields were free from external challenge of military threats and sabotage. In addition, the Venezuelan economy would flourish if its government could continue the current policy of privatization of oil resources held by foreign investors.⁸¹ Jiménez' policy was favourable towards foreign enterprises and they could "remit dividends without restrictions". For example, the oil companies made a profit of \$3.79 million, earning about \$828 million in 1957. These statistics "represented the best year the oil

⁸⁰ Foreign Relations of the United States, the American Republics, "Memorandum of a Conversation, Department of State, Washington," in Historical Documents, *FRUS* 1955-1957, Vol. VII, December 12th, 1956.

⁸¹ Rabe, *The Road to OPEC: United States Relations with Venezuela, 1919-1976* (Texas, 1982), p. 120.

company would ever have in Venezuela”. Furthermore, half of the dividend income of the Standard Oil of New Jersey came from its subsidiary, the Creole Petroleum.⁸²

Jiménez’ dictatorship was further strengthened by U.S. foreign aid support, even though social mobility was blocked by military rule. The U.S. military and economic assistance was the crucial factor in Jiménez’ national leadership. The U.S. foreign aid program was often viewed as economic progress by military dictators in Latin America and was equivalent to a sign of modernization. However, U.S. national interests were not all the way identical to those of Venezuela. In October 1956, the Venezuelan government attempted to secure the loans from the Eximbank to sponsor “the gas pipeline from the Anaco Field in Venezuela to the Petroquímica Plant”. The Department believed that Venezuela should raise the necessary capital to finance the pipeline through private sources because this project was 100% controlled by the Venezuelan government. As a result, this request was turned down on 8th November as U.S. public funds could not be used to help finance this project.⁸³ From my observation, ‘Fundidora de Fierro y Acero de Monterrey’ was a privately owned entity

⁸² *Ibid.*, p. 129.

⁸³ Foreign Relations of the United States, the American Republics: Central and South America, “Memorandum From the Deputy Under Secretary of State for Economic Affairs (Prochnow) to the President of the Export-Import Bank (Waugh),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, October 30th, 1956.

in Mexico but its \$26 million loan from the Eximbank was put off.⁸⁴ Compared with Venezuela, Mexico should have been granted the \$26 million loan rather than a deferment. Did the U.S. have standard criteria for giving loans? Should the project be a private or public entity to meet the requirements?

Brazil: Request for Refunding Loan and Development Credit

The Bulganin's offer to engage in the underdeveloped countries through diplomatic, cultural and trade arrangements included technical assistance and trade missions. The new trade pattern did not fundamentally compete with the U.S. in essence within the Cold War context. Willard L. Thorp analysed the rationale behind the Soviet's trade arrangement - they began a low degree of trade with underdeveloped countries and the political impact was greater than the new trade pattern.⁸⁵ In support of his argument, he provided some trade statistics with the underdeveloped countries:

In 1955, the Sino-Soviet bloc purchased more than 10 percent of the exports of nine countries: Iceland (27.8 percent), Egypt (26.7), Finland (25.8), Turkey (21.8), Iran (15.2), Yugoslavia (13.8), Burma (12.0), Austria (10.2) and Afghanistan (estimated at 50 percent). Only five countries purchased as much as 10 percent from the bloc: Finland (27.0), Hong Kong (24.2), Iceland (22.2), Turkey (18.3) and Afghanistan (exact percent not known).⁸⁶

⁸⁴ As to the Fundidora de Fierro y Acero de Monterrey, please refer to this thesis, pp. 147-149.

⁸⁵ Willard L. Thorp, "American Policy and the Soviet Economic Offensive," *Foreign Affairs*, Vol. 25, No. 2 (Jan. 1957), p. 271. p. 279.

⁸⁶ *Ibid.*, p. 278.

As discussed, Asia and Africa were given high priority in the face of Soviet communism. Latin America did not gain as much attention as the two areas, nor did it gain lots of U.S. security concern in the face of the SEO. Would the trade relations between the Soviet Bloc and Latin American countries pose an immediate security concern? Indeed, the SEO challenged U.S. 'trade and aid' policy but it did not dissolve Latin American economic partnerships with the U.S. Therefore, trade with the Soviet Bloc did not prevent Latin American countries from requesting loans from the U.S. The lending bodies from the U.S. would not loosen loan restrictions in the face of the SEO. It is essential to examine this assumption by using Brazil as a case study.

Communism was ideologically opposed by most Brazilians while the trade expansion with the Soviet Union was practically buttressed by Brazilians. According to the paper prepared by the Special Assistant in the Bureau of Inter-American Affairs, in 1955, there was a striking increase over the 1954 total of \$42,000,000, accounting for 1.5% of total Brazilian trade with the Soviet bloc. Among Soviet bloc countries, Poland and Czechoslovakia were two countries having diplomatic missions in Brazil and the Soviet Union stood a chance of re-establishing diplomatic relations through the trading relationships. The U.S. concluded that "there will be some additional increase

in Brazil's trade with the Soviet bloc".⁸⁷ This document has confirmed one important point - the international communism did not fundamentally affect the Brazilian way of life, and thus, the Soviet ideological offer was unlikely to stop Brazil from gaining foreign aid from the U.S.

Brazil turned to the U.S. for foreign aid of nearly \$1,200,000,000 at Juscelino Kubitschek's inauguration. Brazil technically tried to cut the amount of money down to "a request for refunding of existing Eximbank loans". The bank would consider this as long as Brazil could fulfil some contractual obligations. Whether Brazil could meet its obligations in the present contract became a determining factor for new loans. Based on banking and an economic perspective, this was a fair decision but this resulted in a bureaucratic debate. Holland argued that the implication of refusing the Eximbank loan might force Brazil to the Soviet bloc. He claimed the U.S. would not lose anything if the current refunding proposal was granted. He further justified his argument saying that "it will amount to an extension to Brazil of the 14-year payment term which the U.S. has accorded to Argentina rather than the 7-year payment term

⁸⁷ Foreign Relations of the United States, the American Republics: Central and South America, "Paper Prepared by the Special Assistant in the Bureau of Inter-American Affairs (King)," in Historical Documents, *FRUS* 1955-1957, Vol. VII, May 29th, 1956.

now exacted of her”.⁸⁸ In response to Holland, the Director of Eximbank, Hawthorne

Arey examined the historical documents between the bank and Brazil saying:

Brazil’s request for refunding outstanding balances on both its \$300 million loan and \$75 million credit from the Eximbank. More than \$75 million of the former credit had been repaid, and that only \$45 million of the \$75 million credit had been drawn. The Brazilians wanted the Bank to refund the balance of the \$300 million credit over a 20-year period.⁸⁹

Refunding would not facilitate any payments on “any future long-term credits received” in the Brazilian development program but “only postpone payments to the very period”. As long as the Bank continued to provide credits, Brazil could reach its objectives. If the short-term debt could be liquidated by Brazil, it would stand a chance of the long-term development loans in 1960. According to the minutes of the 246th Meeting of the National Advisory Council on International Monetary and Financial Problems, the Bank revealed that:

the latter would carry as one condition a waiting period on principal repayments until about 1960, which would be in line with the Bank’s usual practice pertaining to development loans where only interest is collected during the construction period.⁹⁰

⁸⁸ Foreign Relations of the United States, the American Republics: Central and South America, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Holland) to the Deputy Director of the Office of South American Affairs (Belton),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, June 7th, 1956.

⁸⁹ Foreign Relations of the United States, the American Republics: Central and South America, “Minutes of the 246th Meeting of the National Advisory Council on International Monetary and Financial Problems,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, July 3rd, 1956.

⁹⁰ *Ibid.*

In this context, Brazil needed to follow the general lines that the Eximbank proposed. The problem was whether the Eximbank should refund outstanding balances of a \$300 million loan. As a result, if the Eximbank refunded, the question was what the rate of interest should be? Brazil's credit was not very good, and it would definitely need to re-establish a credit system on its request for refunding the loan. However, it would take a long time to deal with the Brazilian request.

Chile: P.L. 480 and the Klein-Saks Commission to Ease Inflation

Chile was the case to present the theoretical deficiency of the modernization theory with U.S. foreign aid assistance. The Under Secretary Foreign Minister, Carlos Vassallo, explained that "Argentina and Brazil for surplus commodities value \$30 to \$40 million and providing liberal repayment over 30-40 years" through the P.L. 480 program. The President of Chile, Carlos Ibáñez del Campo, expected that P.L. 480 could also apply to Chile. Vassallo assumed that the program could help to control the indispensable commodities at a low price and "peso proceeds surplus commodity loans and dollars saved would in part be used for public works to take up unemployment slack resulting austerity measures". Vassallo understood that the U.S. would limit or prioritize some items to reach its interests; the P.L. 480 was not the

only method to ease the rise of inflation in Chile.⁹¹

P.L. 480 was supplementary to the Klein-Saks mission whose immediate prospect aimed to stabilize the Chilean economy. Other than economic inflation, Chile suffered a trade deficit and yearned for foreign loans to make it up. Vassallo commented that Chile would need excess commodities from the U.S. to support its economy, observing that:

usual marketing requirements P.L. 480, he felt sure they would present no difficulties in view expected reduced wheat harvest Chile and inability Argentina and perhaps other suppliers satisfy demand wheat and for other commodities.⁹²

The commodities that Chile required must not displace the normal market of U.S. commodities. According to the U.S. Embassy in Chile, the following amounts and items were considered innocuous to the U.S. usual marketing. These items were “edible oils - 40,000 tons; cotton - more than 60,000 bales, 30,000 of which to be for dollars; wheat - 150,000 tons, 40,000 of which to be for dollars; dried milk - 20,000

⁹¹ Foreign Relations of the United States, the American Republics: Central and South America, “Telegram From the Chargé in Chile (Sanders) to the Department of State,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, December 21st, 1955.

⁹² Foreign Relations of the United States, the American Republics: Central and South America, “Telegram From the Chargé in Chile (Sanders) to the Department of State,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, December 28th, 1955.

tons; clover and alfalfa seed - 5,000 tons each".⁹³ In my analysis, the Klein-Saks mission and P.L. 480 were all external resources to alleviate the Chilean inflation but at the same time, Chile increased the level of dependency on U.S. technocracy. Could Chile eradicate inflation and achieve modernization? How far could President Carlos Ibáñez del Campo go with the U.S. assistance?

Ibáñez came under domestic pressures from Congress, organized labours (Central Unica de Trabajadores de Chile, CUTCH) and conservative cliques. CUTCH had just launched a massive strike opposing price-wage bill. Moreover, the Executive and Congress often reached an impasse, which made the government unable to move. Consequently, the U.S. would like to use P.L. 480 out of expediency to fortify Ibáñez's leadership and gain much influence over his anti-inflationary programs from Congress. From the U.S. perspective, P.L. 480 was as much an economic program to assist other nations as a political propaganda of U.S. position to resist domestic pressures in Chile.⁹⁴ It seems to me that both programs served as a political tool to advance American political intents. This case helps readers to examine the basic

⁹³ Foreign Relations of the United States, the American Republics: Central and South America, "Telegram From the Secretary of State to the Embassy in Chile," in Historical Documents, *FRUS* 1955-1957, Vol. VII, January 4th, 1956.

⁹⁴ Foreign Relations of the United States, the American Republics: Central and South America, "Telegram From the Chargé in Chile (Sanders) to the Department of State Secretary of State," in Historical Documents, *FRUS* 1955-1957, Vol. VII, January 5th, 1956.

assumptions of modernization theory that Latin American nations could benefit from the guidance of Western civilization. In Chile, U.S. economic programs seemed to serve U.S. political interests rather than solve economic inflation. The root cause of economic inflation in Chile was complex; however, political instability was one of many.

The exchange reform, as the Chilean Government claimed, was the issue requiring collaboration between the Executive Branch and the National Congress of Chile. Anti-inflationary policy was formulated by groups; “institution of the exchange reforms” was indispensable to the tax reforms supported by Congress. According to the Memorandum from the Director of the Office of South American Affairs to the Assistant Secretary of State for Inter-American Affairs, it sketched out what position the U.S. would take with regard to the Chilean request for International Monetary Fund (IMF) and U.S. financial assistance:

the IMF favored a standby loan or similar arrangement which would permit tight control of drawings and would put the IMF in a position to influence the Chilean Government to adopt and vigorously execute other stabilization measures on which the IMF Mission report says the success of the exchange reform is dependent.⁹⁵

⁹⁵ Foreign Relations of the United States, the American Republics: Central and South America, “Memorandum From the Director of the Office of South American Affairs (Bernbaum) to the Assistant Secretary of State for Inter-American Affairs (Holland),” in Historical Documents, *FRUS* 1955-1957, Vol. VII, February 29th, 1956.

As a result, if the President of Chile could not coordinate with Congress, what would the Klein-Saks mission do? Anti-inflationary measures should be coordinated through Congressional cooperation. From the IMF perspective, the Chilean Government suggested to take other stabilization measures. Was it possible to implement exchange reform without Congressional support but with U.S. support? There was more to discuss on the U.S. presence in Chile and the role of the Klein-Saks mission.

Costa Rica: U.S. Ambivalent Attitude to the President of Costa Rica

U.S. decision-makers felt ambivalent about José Figueres Ferrer; there were subtle variances in the Costa Rica-U.S. relations in 1956. Figueres recognized the merits of private investment from an economic perspective but he did not take a strong position against the growth of local communism in Costa Rica. In fact, he had pleased the global anti-communism agenda as his stand for U.S. support during his presidency in 1948. However, Figueres' enemies, like Somoza, described him as a communist due to his social programs and his assistance to leftist movements in Cuba, Venezuela, the Dominican Republic and Nicaragua.⁹⁶ In examining the Costa Rican case, one needs to know how the Figueres regime came into being which had profound ramifications on the Costa Rica-U.S. relations.

⁹⁶ Kyle Longley, "Resistance and Accommodation: The United States and the Nationalism of José Figueres, 1953–1957," *Diplomatic History*, Vol. 18, No. 1 (Jan. 1994), p. 18.

During the Costa Rican Civil War of 1948, Figueres, the commander of the National Liberation Army, revolted against the Government of President Teodoro Picado (1944-1948). The Civil War happened because the result of the 1948 election had been obtained by fraud and petitioned Congress. The politics of Costa Rica was torn by indirect intervention of neighbouring powers. Figueres was in close connection with the Guatemalan Revolutionary Government, Juan José Arévalo, who sponsored him to gain presidency whereas Calderón's force (1940-1944) was firmly supported by Anastasio Somoza García, who gave Calderón asylum and attacked Costa Rica. Picado aligned himself closely with Calderón's force and the Popular Vanguard Party (PVP) to deny the results and call for a new election. Even though the U.S. considered Figueres ambivalent, the U.S. did not provide assistance to Picado. Figueres kept away from Arévalo when he seized power in order to get U.S. support.⁹⁷

Picado, Calderón and the PVP were viewed as communists; the coalition culminated their power between 1940 and 1943. Figueres won the civil war and prohibited the PVP activities by law so the PVP did not pose a threat to the Figueres government. Even though the government officially claimed to be fighting against communism

⁹⁷ John Peeler, "Costa Rica: Neither Client nor Defiant," in Frank O. Mora & Jeanne A. K. Hey ed., *Latin American and Caribbean Foreign Policy* (New York: Rowman & Littlefield Publishers, 2003), pp. 33-34.

“neither the Government nor the public was militarily anti-communist”. For example, he did not take an effective stance against the continuing communication between the PVP and the Confederación de Trabajadores de América Latina (CTAL).⁹⁸ Consequently, Figueres’ plea of communism was a tactic to gain U.S. support. He recognized the differences between global communism and local communism but from the U.S. perspective both were almost the same. Hence, this is the reason why Figueres was accused of not being tough against the local communism.

Figueres sometimes criticized alleged U.S. support for Latin American dictators because of his hostility toward the Caribbean dictators. Figueres’ disengagement in Central American affairs was exacerbated by the border row with Nicaragua. Soon after Nixon’s trip in Nicaragua on 19th February 1956, Figueres agreed to accept a peace agreement between the two countries and agreed to meet Somoza “more than halfway” on the border dispute. In addition to this political settlement, Figueres praised the UFCO for its efforts “to stabilize the prices of bananas and coffee” and “he was pleased to announce that the company and his administration were

⁹⁸ Foreign Relations of the United States, the American Republics: Central and South America, “Paper Prepared by the Operations Coordinating Board,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 15th, 1956.

cooperating to improve economic conditions”.⁹⁹ From my perspective, Figueres’ ambition to advance his influence in Central America suggested the rise of Figueres’ nationalism against the dictatorship supported by the U.S.

According to the paper prepared by the Operations Coordinating Board (OCB), the Partido Liberacion Nacional (PLN) was the foundation of Figueres’ nationalism that incorporated labour groups and the lower class but most PLN leaders were from middle and upper classes. The party machine of the PLN firmly supported social reform and was ideologically resistant to communism. However, the recent political call launched by the PVP known as “National Democratic Front” appealed to wider social groups such as the intellectuals, the workers, the peasants and the bourgeoisie. PLN and PVP alike had almost the same targeted groups of people and as a result the PVP did not pose an immediate threat to the Figueres government.¹⁰⁰ The question is what was the direct linkage with the international communist agenda such as the SEO? From the context, the local communism sought to enhance the local aspirations rather than to meet with the global appeal of the Soviet communism.

⁹⁹ Irwin F. Gellman, *The President and the Apprentice: Eisenhower and Nixon, 1952-1961* (Yale University Press, New Haven, 2015), p. 214.

¹⁰⁰ Foreign Relations of the United States, the American Republics: Central and South America, “Paper Prepared by the Operations Coordinating Board,” in Historical Documents, *FRUS* 1955-1957, Vol. VII, August 15th, 1956.

Overall Assessment on U.S. Foreign Policy from 1956 to 1957

In the above mentioned cases, economic development in Latin America could be facilitated by the inflow of private investment, and economic nationalism might be countered by encouraging private investors to finance privately-owned projects as in the Fundidora case in Mexico. This approach was applicable to the purchase of pipe for the gas pipeline from the Anaco Field in Venezuela to the Petroquímica Plant. Any state-owned enterprise should finance the loans through private sources rather than Eximbank unless its projects were receptive and favourable to U.S. private investors. This is the practice of early modernization theory but the rise of nationalism, precisely defined by economic nationalism, resists the American vision of a free trade framework. In my analysis, before moving to a full-fledged communist society, nationalism is the driving force for the aspiration of social justice such as nationalized ownership against privatization.

In a broad discussion of trade policy, the SEO not only challenged American 'trade and aid' policy but also presented as a political shift for neutral nations. For the former, it triggered a response to do a reappraisal of military standardization in Latin America. For the latter, it motivated Congress's efforts to the foreign aid program based on public capital like the Smathers Fund. The inadequacy of public funds had been

constantly emphasized by Latin America since Eisenhower took office in 1953. Through the careful examination of all cases, they would be more receptive to change or maintain their attitudes in accordance with the economic incentives that could improve their economic conditions than the SEO ideological appeals. In Brazil, Kubitschek needed a foreign aid program of up to \$1,200,000,000. Brazil was trying to cut the amount of money down to a request for refunding of existing Eximbank loans but this triggered a debate between the DOS and the Eximbank. The SEO did not limit Latin American nations from continuing business activities with the U.S.

Eisenhower made the disposal of food surpluses abroad a major part of its foreign aid program. P.L. 480 Title 1 aimed for those Latin American countries who suffered foreign exchange problems with the U.S. This approach made Mexico different from Nicaragua. By comparison with Nicaragua, the convenience of foreign exchange between the Mexican peso and the U.S. dollar facilitated the acquisition of corn stock on a credit basis. Because of this, Mexico could repay the U.S. at low interest over a period of twenty years that made Title 1 unlikely. Although Nicaragua was not a country where P.L. 480 could be found for the loan of local currencies, the U.S. could only offer the Nicaraguans partial support. Nicaragua could be partly financed by the CCC stocks under the P.L. 480 Title 1.

In Chile, P.L. 480 was a supplementary anti-inflation program to the Klein-Saks mission. However, the efficacy of this approach was still controversial because both P.L. 480 and the Klein-Saks mission were auxiliary to the Chilean domestic politics from the U.S. perspective. A simple question, could they be independent from the political entities in Chile? Thus, whether or not the Executive branch and the Chilean Congress could coordinate concerted efforts for the stabilization measures was the main concern. Despite Chile's inflation, the presence of a foreign sector in Chile would definitely incur political impact on Chile's politics; that is to say, the accusation of U.S. intervention, no matter whether direct or indirect, would be another focus point of the research. This could be viewed as an economic intervention.

To identify how military security relates to economic interests, it is necessary to define what the U.S. security is in an individual Latin American country. In Panama, the U.S. security interests lie in the Panama Canal where access to military facilities was described as "perpetual sovereign rights" binding upon two parties based on the Article XVIII of the Hay-Bunau-Varilla Treaty. The new radar installations on two hilltops adjacent to the Canal Zone had to be achieved without political repercussions. The challenge thereafter was that the nationalization of the Suez Canal might set a precedent for the Panamanian Government to follow. Thus, a new construction

program could create more job vacancies to ease bilateral tensions arising from the Canal management.

In Central America, the rise of Figueres' nationalism in Central America was another challenge. The U.S. did not expect any ambitious national leader to get excessive political power since this would pose an immediate danger to the regional stability. The ambivalence towards Figueres from the White House resulted from Figueres' policy that oscillates between his inconsistent attitude toward communism and the pursuit of his expanding power. From my point of view, Figueres was a real political opportunist who could tactically manipulate U.S. anti-communism policy and appease the growth of domestic nationalism. Interestingly, the U.S. recognized that the PVP did not present a threat to Figueres' government; why did U.S. bureaucrats often highlight the threat of international communist? The image of communism was misused and this issue was often politicized when the Cold War tensions were tightened by the Soviet propaganda.

However, what Eisenhower had advocated soon after the SEO and what he had done were really far from what Latin Americans actually needed. This problem was pointed out even in the NSC 5432/1 but little had been done in terms of public capital. After a

comprehensive diagnosis of the U.S. foreign policy in Latin America, the OCB noticed that the desire for more rapid economic progress and higher standards of living was now a major political issue in Latin America. As shown in NSC 5613/1, it depicted that the U.S. should provide constructive economic programs:

The maintenance of friendly relations with Latin America requires us to assist the other American Republics in carrying forward their constructive economic development programs and to become associated in Latin American thinking as a partner in economic progress.¹⁰¹

Still, it was Eisenhower's firm belief that economic prosperity could be achieved "by private initiative of sturdy, self-reliant economies in Latin America which do not require continuing grant assistance from the U.S".¹⁰² What Latin American countries needed was public capital but Eisenhower implemented his policy with an emphasis on the inflow of private capital.

¹⁰¹ Foreign Relations of the United States, the American Republics: Central and South America, "National Security Council Report," in Historical Documents, *FRUS* 1955-1957, Vol. VI, September 25th, 1956.

¹⁰² *Ibid.*

CHAPTER FOUR

The Buenos Aires Conference: Widespread Discontent, Nixon in Latin America, Pan Americanism

The fourth chapter of this thesis demonstrates that Latin American demands for public capital were continuously neglected even though those demands were brought upfront in the Buenos Aires Conference in 1957. The collision between the U.S. and Latin America was manifested in the economic domain. Consequently, Latin American nations seized this opportunity to gain economic control upon their initiative in Eisenhower's economic policy towards Latin America. Before the Buenos Aires Conference, there had been personnel changes in cabinet members of Eisenhower's administration. For example, Robert Anderson and Rubottom were newly appointed as the USDT and the Assistant Secretary of State. Mann and Dillon took up the position as Assistant Secretary of State for Economic Affairs and the Deputy Undersecretary of State for Economic Affairs. The new replacement of personnel represented the rise of liberal approach in Eisenhower's policy. The U.S. foreign policy towards Latin America underwent the rising tension between liberal approach and conservative protectionism, with the latter adding impetus to the local economic nationalism.

The impact of the Buenos Aires Conference on the U.S. foreign policy was not immediately recognized; however, it triggered a rethinking of the policy as to whether the U.S. should set a centralized body to promote public funds. The U.S. foreign policy was characterized by bridging the gap between the established policy made by the senior bureaucrats and continuing idealism to promote Latin American social welfare. The continuing neglect of Latin American demands for public capital encountered backfire on Eisenhower's policy when Nixon visited South America in May 1958. The effect of Nixon's visit along with regional pressure, remarkably Kubitschek's idea of Pan Americanism represented the Brazilian nationalism that safeguards Latin American identity against the influence of modernization. Therefore, the constant neglect of Latin America's demands left the anti-American sentiment in ferment. This was the driving force to sustain Operation Pan America that tilted the balance in liberal ideas in U.S. policy.

Rubottom encouraged an adjustment of U.S. foreign policy to reach convergence of interests with Latin America because this would essentially strengthen political and economic influence of the U.S. in Latin America. The economic differences included "the feasibility of an Inter-American Bank, commodity marketing and pricing

problems and economic integration”.¹ The Buenos Aires Conference was the continuance of economic disputes from the Rio Conference in 1954; there has been a huge gap between Latin American demands and U.S. economic policy since then. Economic relations between U.S. and Latin American nations have deteriorated sharply from U.S. protectionism against lead and zinc imports from Latin America, and the rise of economic sovereignty in Latin America against the inflow of private capital. The following paragraphs will explain these two economic disputes.

First, Eisenhower was opposed to tariff increases with regard to zinc and lead in 1954. Rather, he advocated a stockpile program without imposing duties. The proposal to raise tariffs would have a very negative effect upon U.S.-Latin American relations.

According to the Memorandum from Rubottom to the Secretary of State:

the proposal runs directly counter to the broad policies of the Administration regarding reduction of duties, fostering of competition, and expansion of international trade which will also be under discussion at Buenos Aires. We have urged these policies upon the Latin American countries with some success. A departure from them will endanger our position of leadership in the commercial policy field and our ability to protect the interests of U.S. exporters in the rapidly growing Latin American market.²

¹ R. Richard Rubottom, Jr, “An Assessment of Current American Influence in Latin America,” *Nonalignment in Foreign Affairs*, Vol.366 (July, 1966), p. 121.

² Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State,” *FRUS* 1955-1957, Vol. VI, May 7th, 1957.

It was the domestic concerns from the U.S. producers that required reconsideration of the U.S. free trade policy. Tariff reduction was the basic principle of the free trade policy but the Latin American imports might adversely affect the U.S. lead and zinc. The basic question is would the domestic pressures limit the U.S. free trade policy? From Rubottom's perspective, adjustment of the free trade policy would imperil American credibility in its economic policy.³

Second, the U.S. promoted the inflow of private capital but the important point is who was supposed to have jurisdiction over investment disputes, host countries or investors' home countries? What would happen when investors were denied a verdict made by the local courts? This has drawn much attention to whether the legal counterpart in Latin America could offer fair treatment. Not all Latin American countries held the same view of the Calvo Doctrine. The focus point was to examine how it operated in Latin America and any collision between the private investors and local authorities.

Discussion of Calvo Doctrine

The Calvo Doctrine proposes that foreign investors are subject to the local jurisdiction

³ *Ibid.*

where their investment is located. With this principle, diplomatic protection is prohibited unless local remedies have been exhausted. This concept contributes to the debate between local jurisdiction and customary international law. Whether the institution of diplomatic protection should be applied to the transnational investment disputes is the focal point; in this respect, the Calvo Doctrine highlights the institutional differences between investors' own countries, host countries and possibly an international legal body.⁴ In my analysis, the Calvo Doctrine serves as a political means to strengthen local economic sovereignty against the trends of U.S. modernization. This manifests the tensions between the modern international law and the legal tradition of Latin America. The underlying theme behind the Calvo Doctrine represents the rise of Latin American nationalism in the context of U.S. hegemony - the increasing local forces to counteract U.S. domination.

This has brought the sovereignty issue upfront and challenged the sovereign states. Claudio Grossman asserts that even though Latin American countries were viewed as "the weaker states", they needed to exert their powers in an international world. For this reason, Latin American countries would invoke the "Calvo" Doctrine to protect basic sovereignty. He made it clear that investment disputes or payment of debts

⁴ Subedi, *op. cit.*, p. 13.

between foreign investors and a state would cause a conflict between “the capital importing (weaker) country and the capital exporting (stronger) country”. The Calvo Doctrine covered a variety of areas such as the struggle for political power, contractual obligations and constitutional conventions. The consciousness of sovereignty safeguards local values, cultures, societies, or Latin American interests to that effect against the U.S. global hegemony.⁵ From my perspective, the nationalization of private lands and properties for public use was realization of social justice for Latin American nations whereas the U.S. investors considered the nationalization policy as a violation of property law. U.S. private investors like the UFCO required compensation after the nationalization in consequence. The question is what was the historiography of the Calvo Doctrine? How did the concept evolve?

The Calvo Clause was named after Carlos Calvo, who was a jurist in Argentina. The correlations between the state and foreign investors were crucial as to whether the Calvo Clause was viewed “as a bar to U.S. diplomatic interposition” or not. Its evolution depended upon political conditions rather than international law norms.⁶

Amos S. Hershey has examined the historiography of foreign intervention in

⁵ Claudio Grossman, “Latin American Contributions to International Law,” *Proceedings of the Annual Meeting*, Vol. 94 (April 5-8, 2000), p. 45.

⁶ Donald R. Shea, *Calvo Clause: A Problem of Inter-American and International Law and Diplomacy* (Minneapolis: University of Minnesota Press, 1955), pp. 6-7. p. 16.

hemispheric affairs, observing the differences between the Drago Doctrine and the Calvo Doctrine. On 29th December 1902, Señor Luis M. Drago, who was the Argentine Minister of Foreign Affairs, created the Drago Doctrine urging that foreign powers (Germany, Great Britain and Italy) could not force Venezuela to repay her debts by force. This position was clearly stated in a diplomatic memorandum to the Argentine minister to the U.S., Señor Mérou. Starting from the sovereignty ground, Drago cited Alexander Hamilton's statement to develop his argument - "contracts between a nation and private individuals are obligatory according to the conscience of the sovereign and may not be the object of compelling force".⁷

The Drago Doctrine was indeed the narrow interpretation of the Calvo Doctrine. From Hershey's observation, Drago criticized the use of armed force as a legitimate rationale for public debts while Calvo rejected the diplomatic protection as a legal claimant for all private claims. In other words, Drago denounced the forcible means used for Latin American states; however, Calvo fundamentally denied the right of a claimant to secure diplomatic mediation in nature. In Calvo, the government should not bear the responsibility for indemnity upheld by foreigners.⁸ In my analysis, Drago

⁷ Amos S. Hershey, "The Calvo and Drago Doctrines," *American Journal of International Law*, Vol.1, No. 1 (Jan.-April, 1907), p. 29.

⁸ *Ibid.*, p. 31.

highlights the sovereign will of a state and Calvo strengthens the sovereign authority of a state. Both indeed serve Latin American interests but it is impossible just to follow Latin American patterns during the process of global integration.

Drago considered that recovering debts by force not only went against the equality of sovereignty but also violated the Monroe Doctrine. As a result, President Theodore Roosevelt commented that the Monroe Doctrine would not be served as protection for “small bandit nests of a wicked and inefficient type such as he saw in Venezuela”.⁹ In 1904, the Roosevelt Corollary was issued by the U.S. in response to the Drago Doctrine. The Roosevelt Corollary asserted the right of the U.S. to intervene in Latin America in the interests of American business and Latin American independence from European powers. It had been an effort to thwart Cipriano Castro’s default on international debts in late 1902, the U.S. succeeded in justifying U.S. intervention throughout the hemisphere if the debtor state did not carry out the decision of an arbitration commission.¹⁰ From the U.S. perspective, the development of the Drago argument was improper because the unilateral statement made by Drago did not fundamentally reflect Roosevelt’s mindset, nor did Roosevelt deem it politically

⁹ Lars Schoultz, *Beneath the United States: A History of U.S. Policy toward Latin America* (Cambridge, MA: Harvard University Press, 1998), p. 180.

¹⁰ *Ibid.*, pp. 177-179.

necessary to endorse Latin American behaviour of debt.

With continuous efforts to promote private investment in Latin America, the U.S. dedicated itself to negotiating with Latin American countries to create a desirable environment favourable for the inflow of foreign capital. When interests of private investors could not be safeguarded by Latin American authorities, the use of the Calvo Doctrine to protect Latin American interests became controversial. The doctrine could be employed in different business fields but not all Latin American countries employed it. One could not leave out political significance acting upon economic policy yet every Latin American country had its interpretation in terms of the Calvo Doctrine. However, it brings attention as to whether the Calvo Doctrine is in line with the U.S. efforts to create a better climate favourable for foreign investment by giving investors a greater level of economic security. By examining the Calvo Doctrine, one could not exclude the interactions with foreign powers because this would mean not discussing its face value. Thus, it is of much importance to examine how the following Latin American countries make use of the Calvo Doctrine.

Current Utilization of the Calvo Doctrine

To what extent the Calvo Clause was utilized as a constitutional mechanism against

the diplomatic protection could be the basis to evaluate the incorporation of the Calvo Clause into the Latin American national constitution or private contracts. There were three generalizations of the Calvo Clause in Latin America - full incorporation, flexible incorporation and incorporation with special conditions. Full incorporation meant that foreign investors could only resort to the local courts; flexible incorporation denoted that the Calvo Clause did not have to be inserted into a private contract; and incorporation with special conditions stood for the Clause being applied to specific industry or a special article of the Constitution.

Panama belonged to the full incorporation because its constitution prohibited foreigners from claiming diplomatic protection. According to the Panamanian constitution, Article 21 provides that “all Panamanians and foreigners are equal before the law”. In addition, Article 164 of the Administrative Code clearly defines the relations between the foreign persons, the Government, companies and individuals in accordance with the contractual laws, which states “the duties and rights arising out of the said contract shall be exclusively established by the judges and local courts”. There were some exceptions where the Calvo Clause could be exempt from the contracts such as “the case of denial of justice”.¹¹ The term means that foreigners are

¹¹ Shea, *op. cit.*, pp. 272-273.

refused from getting access to the local courts. The question is to what extent or how precise denial of justice is delivered to define underlying illegal activities.¹² Would it be impartial?

Costa Rica fell into the flexible incorporation which means that the Calvo Clause would not necessarily be included in all contracts between the government and foreign investors. According to Shea's report on 16th July 1954, he expressed that the Compañía Petrolera de Costa Rica, the Northern Railway Company and the Compañía Bananera de Costa Rica had contracts with the Costa Rican government but the Compañía Bananera de Costa Rica was the only company that had the Calvo Clause in its contract. Once the Calvo Clause was inserted to contracts, its effect remained valid. In the case of Costa Rica, it is expected that the government would possibly get into negotiations with the U.S. government as a mediator for private companies. The flexible incorporation highlights the interactions between the government and the investor's company rather than institution itself.¹³

Nicaragua was the full incorporation; the Calvo Clause was applied to the contracts

¹² Hans W. Spiegel, "Origin and Development of Denial of Justice," *American Journal of International Law*, Vol. 32, No. 1 (Jan. 1938), p. 79.

¹³ Shea, *op. cit.*, pp. 272-273.

between the foreign investors, government, companies and individuals in accordance with Nicaraguan law. According to official information obtained from the U.S. Embassy in Nicaragua, Shea reported “no dispute where the Calvo Clause has played any role has risen in many years”.¹⁴ The full incorporation of the Calvo Clause was also applied to the Honduran government in accordance with Article 19 of the constitution of March 1936. Still, it made denial of justice possible, which did not simply “mean an executed verdict unfavourable to the claimant.” Shea commented this Clause was not universally utilized and no economic disputes have been found concerning it.¹⁵ In sum, the Calvo Clause was applied to Nicaragua, Honduras and Panama but there was a different interpretation of denial of justice in each case. Could the interstate arbitration system strengthen access to justice and bridge the gap between international customary law and local judicial body? What if the Latin American states refuse to accept the final verdict made by the interstate arbitration?

In Guatemala, the Calvo Clause had been used in all petroleum concessions given to foreigners prior to the 1954 Guatemalan D'état. Even though the overthrow of the Árbenz regime was the main political episode in Guatemala, the Calvo Clause would

¹⁴ *Ibid*, pp. 273-274.

¹⁵ *Ibid*, p. 274.

continuously be exercised in different form.¹⁶ After the overthrow of the Árbenz regime, the Armas administration negotiated with the U.S. Embassy in Guatemala on labour and relations with American companies. On labour, Armas would “cooperate with the U.S. government in eliminating communists and setting up free unions” to improve relations with labour. On relations with American companies, UFCO and the International Railways of Central America were ready to make some concessions to government in their contracts and “detailed negotiations might be undertaken soon”. The role the U.S. government between the Guatemalan government and foreign investors was more like a mediator.¹⁷

Peru was the representation of the third generalization where the Calvo Clause was invoked otherwise it was specifically stated. According to the special article of the Peruvian Constitution of 1933, Article No.17 clearly states:

Mercantile companies, whether national or foreign, are subject without any restrictions to the laws of the Republic. In all contracts between the Government and aliens, or in concessions granted to aliens, their express submission to the laws and tribunals of the Republic and their waiver of diplomatic interposition must be expressly stated.¹⁸

¹⁶ *Ibid*, pp. 274-275.

¹⁷ Foreign Relations of the United States, The American Republics, “the Ambassador in Guatemala (Peurifoy) to the Department of State,” in Historical Documents, *FRUS* 1952-1954, Vol. IV, September 2nd, 1954. John Peurifoy was U.S. ambassador to Guatemala from 4th November 1953 to 2nd October 1954.

¹⁸ Shea, *op. cit.*, p. 275. The content was an English version translated by U.S. Embassy to Peru.

The degree of the Calvo Clause used in Peru varies probably contract by contract.

Whether tribunals are included depends on the bilateral approval made by contractual parties. In my analysis, the right to secure diplomatic mediation derives from the contractual law that is legally enforceable in most countries. In Peru, the duties and rights of private investors are bound or governed by the agreement. Whether the contractual parties would observe the formality is another issue.

The Calvo Clause was fully incorporated in Colombia and Mexico. As stated in Article 15 of Law 145 of November 26, 1888, the Colombian Government required that foreigners have no recourse to diplomatic channels in contracts with the government. The Calvo Clause was often included in contracts with foreign corporations in early years. Shea concluded that “the Law of 1888 was still technically in effect... and there apparently have not been any recent instances of the invocation of the Calvo Clause in disputes or disagreements”.¹⁹ Mexico was the most devoted supporter of the Calvo Clause but most Mexicans were more ready to internalize the protection of property rights than any other Latin American state. The Constitution of 1917 under Article 27 interprets that Mexico, as a nation, originally owns materials and lands within its boundaries. The nation has the right to transfer the

¹⁹ *Ibid.*

ownership to private parties, which is the important component of private property.

Lowenfeld indicated that Mexico had developed a sound framework for private property and land reform out of the Mexican Revolution in 1910. Expropriations of private property must be accompanied by reasonable compensation and be used for public utility (school, infrastructure, road construction and so on).²⁰

In Bolivia, diplomatic protection was written in the Constitution of Bolivia only in case of a denial of justice. Therefore, Article 18 of the Constitution states:

Foreign subjects or foreign enterprises are, with regard to property, in the same state as Bolivians, and in no case can they invoke an exceptional situation or appeal to diplomatic interposition, except in case of denial of justice.²¹

The expropriation of the Standard Oil in 1937 was a great presentation of the Calvo Clause. The company had been granted a variety of concessions in the State of Salta in Argentina, reaching 6,000 tons from 1930 to 1932. Due to the oil resources in the Chaco area, the Bolivian government required the company to speed up oil production and finance the war against Paraguay. In 1936, the Bolivian government established a state-owned company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and expropriated the company in 1937. This case reached the Bolivian Supreme Court and the decision was made against the company. The nationalization did not give rise to a

²⁰ Lowenfeld, *op. cit.*, pp. 471-472.

²¹ Shea, *op. cit.*, p. 276.

war between Bolivia and the U.S. However, the company withdrew their facilities and personnel.²² From my observation, this case presents a good defense in using the Calvo Doctrine but this did not fit in the succeeding nationalization case in 1952 during which Andrade negotiated “prompt, adequate and effective” compensation and gradually moved to the Inter-American Convention for Arbitration Pecuniary Claims.²³

Latin American countries used the Calvo Clause in different degrees. Shea has given detailed elaboration of the Calvo in some Latin American states but his analysis touched little upon the role of foreign powers. For example, he described too much about Articles of the Constitution in a Latin American state. This leads to partial explanation of the Calvo Doctrine, especially its effect upon the future cases. By examining all cases above, we should have found that the Calvo Clause was too loose to function effectively. The crux of the problem does not lie in the Calvo Clause per se but the enforcement with which every Latin American state is engaged. It calls attention to the performance of the justice sector in Latin America.

²² Wolf Radmann, “Nationalizations in Bolivia: Gulf Oil Investments Negotiation Patterns and Settlement Agreements,” *Law and Politics in Africa, Asia and Latin America*, Vol. 5, No. 3 (1972), pp. 277-278.

²³ The nationalization of mining company has been mentioned in this thesis, pp. 101-102.

Jorge L. Esquirol put forward ‘failed law’ discourse to understand the political rationale behind the relations between institutional efficiency of legal systems and limitations of reform arrangements. The basic account for this phenomenon is that “state law in the region appears mostly ineffective and inappropriate; national judiciaries look inefficient and corrupt; and the rule of law and its enforcement seem practically non-existent”. In order to identify the ‘failed law’ discourse, it is essential to construct the notion of ‘legal fiction’ in Latin American culture, which means the inherent gap between “written and practical law”. The limited effects reflect its operational difficulties and the issues of governance to launch workable social reforms.²⁴ The next paragraph will explain how operational difficulties and the issues of governance contribute to the ‘failed law’ discourse.

The operational difficulties refer to ‘functional failure’ (such as system breakdown, lack of enforcement, inefficiency of legal procedures and transactions, insufficient capacity and training of legal professionals), ‘legal failure’ (such as charges of antiquated law, legal formalism, law disconnected from society, the gap between law in theory and law in practice, inefficient laws and institutions) and ‘policy failure’ (such as law and development reforms in Latin America scarcely address policy

²⁴ Jorge L. Esquirol, “The Failed Law of Latin America,” *The American Journal of Comparative Law*, Vol.56, No. 1 (Winter, 2008), pp. 76-80.

questions in a transparent way). The issues of governance mean ‘the un-rule of law’ and ‘lawlessness’. The former considers there is no agreeable mechanism to resolve the tension between individual and governmental behaviours during the legal decision-making. Even though Latin American states emulate the U.S. model, the society fails to achieve the balance of the rule of law. The latter emphasizes that Latin American laws are vulnerable to politics run by a small group of elite. Even though some states have gone through the process of institutionalization, political values and social norms are still in limbo.²⁵

It is obvious that deficiencies of Latin American legal systems cannot guarantee legal procedures or justice despite the narrative of the Calvo Clause. Whenever denial of justice takes place, the U.S. government - probably U.S. embassies in Latin America - would be invited to take part in the negotiation between the local government and private business. Such action is often viewed as an economic intervention through diplomatic channels in the event of expropriation without due compensation. The encouragement of sound private U.S. investment in Latin America was the central theme of Eisenhower’s economic policy. Yet, the economic paradox in the encouragement of private investment was the legal systems’ capacity to function as

²⁵ *Ibid.*, p. 80. p. 82. p.84. p. 86. p. 88.

law. However, the economic paradox in the free trade policy lay in domestic pressures from which the U.S. domestic industries had been suffering. As a result, the U.S. adjusted its trade policy in 1957 to prevent the domestic lead and zinc industries from import competition, which means there is no pure free trade policy/market.

Economic Controversy over Lead and Zinc Imports

When the Korean War took place, the U.S. encouraged the increased production of lead, zinc and other critical metals for fear that there would be a shortage of metals. According to the report of Commissioners Brossard, Talbot and Schreiber “the U.S. assisted lead and zinc producers in 13 countries with both development loans and long-term contracts for purchases of lead and zinc at floor prices”.²⁶ Consequently, a stockpile program was designed to take some lead and zinc off the world markets so as to sustain prices. Domestic pressures sprang from home producers, who had great influence in the Republican Party and in Congress, and wished to increase tariffs on foreign imports from Australia, Canada, Mexico, and Latin America as relief. The House Ways and Means Committee had even proposed “a provision for quotas or import taxes on lead, zinc, and other products”.²⁷

²⁶ Charles J. Walsh, “U.S. Economic Foreign Policy and the Escape Clause,” *Review of Social Economy*, Vol. 17, No. 1 (March, 1959), p. 14.

²⁷ Kaufman, *Trade and Aid: Eisenhower’s Foreign Economic Policy, 1953-1961*, p. 38.

Rising tariffs on lead and zinc strained the tensions between Eisenhower and Republican Congressmen from mineral-manufacturing states. The latter urged that Eisenhower protect domestic industries from foreign imports under the escape clause of the Trade Agreements Act. If not, there's little chance for Eisenhower to extend that legislation in Congress. In 1954, following an escape clause investigation, the Tariff Commission recommended that tariffs on lead and zinc be increased to protect the domestic mining industry.²⁸ The President tried to finesse this sensitive issue by raising purchases of zinc and lead by means of stockpile and applying to voluntary export restrictions recommended by the DOS and the DOC.²⁹

The basic principle in international trade was that no increase of imports shall ever displace home production and hurt the domestic market. It is the Commission's responsibility to evaluate "whether or not there has been serious injury or threat of serious injury to domestic producers of like or similar articles". The Commission recommended the President, at his discretion, identify this as the public interest by inserting an escape clause in the Executive Order.³⁰ To go further on this point, I believe that the public interest is tantamount to national economic interests, which

²⁸ *Ibid.*, p. 39.

²⁹ *Ibid.*, p. 118.

³⁰ Walsh, *op. cit.*, pp. 4-6.

further explains that the domestic industries should not similarly be ignored or overridden. The question now is what is the difference between the import tariffs on lead and zinc in 1954 and the import tariffs on lead and zinc in 1957 within the definition of national interests?

Rubottom indicated the U.S. attempt to impose tariffs on zinc and lead in 1957 was a signal of deteriorating U.S.-Latin American relations, which was more serious than that in 1954. The stockpile program was issued soon after Eisenhower refused to increase tariffs on zinc and lead. The tariff issue was brought upfront during the Buenos Aires Conference but Rubottom expressed this might contradict the existing free trade framework and gradually result in competition. For this reason, a change from the current economic policy would threaten U.S. leadership in the commercial area. Moreover, he said U.S. relations with Peru and Mexico were heightened by the current export policy in cotton. Based on this point, tariff increase on zinc and lead would have a negative effect on U.S.-Latin American relations.³¹ As I see it, Rubottom was opposed to depart from the current free trade policy; his mindset was Pro-Latin America rather than Pro-American enterprises. This indeed represents

³¹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State," *FRUS* 1955-1957, Vol. VI, May 7th, 1957.

policy tensions between the foreign policy objective and the interests of domestic producers. One of the striking characteristics in U.S. foreign policy is to bridge the gap between foreign policy objectives and political reality.

Rubottom's mindset did not reflect the real politics in the U.S. domestic market.

Charles J. Walsh revealed that in 1956 75% of U.S. mine output of lead and 72% of mine output of zinc came from ten companies that dominated major zinc and lead refinery or smelter in the U.S.³² Even though the U.S. was still the world's largest producer of these metals, the mining of lead and zinc was indeed on the wane in the U.S. due to "the depletion and exhaustion of domestic ore reserves". Walsh analysed "many of our [U.S.] mines were high-cost producers".³³ In the face of this problem, Eisenhower could not disregard the recommendations that the Tariff Commission was continuously to make on next investigation. Besides, lead and zinc production slackened during 1957-58. The Tariff Commission concluded, given the fact that lead and zinc quotas in U.S. declined, the Tariff Commission should take the responsibility under the escape clause legislation. Finally, Eisenhower imposed tariffs on lead and zinc higher than those in 1954 in order to protect the domestic industry.³⁴ This has

³² Walsh, *op. cit.*, p. 13.

³³ *Ibid.*

³⁴ *Ibid.*, pp. 15-16.

shown that the White House could not have its way with the Randall Commission Report on Foreign Economic Policy as it had in 1954.

With regard to lead and zinc quotas, Rubottom analysed that the Executive Branches faced “the strong position being taken by the Congress as a result of the adverse effects of the weak metals market in the mineral-producing states”.³⁵ This was the message that he conveyed to the Mexican Minister of Finance, Antonio Carrillo Flores on 6th August 1957. Carrillo Flores recognized the U.S. problem yet he considered the imposition of tariffs on lead and zinc “would be like a slap in the face to virtually all of Latin America” if this was effective before the Buenos Aires Economic Conference.³⁶ The conversation has shown that Rubottom tried to inform the Mexican Minister of Finance about the U.S. position but to what degree would the imposition of tariffs on lead and zinc affect the Mexican mining industry?

The National Intelligence Estimate (NIE 81-57) presented the outlook for Mexico identifying the major Mexican interests in the U.S. domestic market. It concluded that:

³⁵ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of a Conversation, American Embassy, Mexico City,” *FRUS* 1955-1957, Vol. VI, August 6th, 1957.

³⁶ *Ibid.*

The Mexican mining industry, with government support, strongly opposes the recently proposed increase in U.S. import duties on lead and zinc and fears severe retrenchment if the increase is effected. Lead and zinc have accounted for about 12% of the value of Mexican exports, and 75% of these metal exports have been sold in the U.S.³⁷

According to the statistics, the U.S. was the major market of most Mexican metal and the imposition of tariffs on lead and zinc would definitely affect the future trend and impact on the Mexican domestic exports to the U.S. The more tariffs the U.S. increased, the more unfavourable the Mexican mining products would be. This has placed Eisenhower's free trade policy for discussion - would the counterpart domestic industries be one variable factor to limit the free trade policy? If one brings U.S.-Latin American economic relations into an in-depth analysis, the basic question might be is there absolute gain in the international relations?

In addition to Mexico, Peru was another state vulnerable to the enactment of new tariffs on lead and zinc. Dillon noticed that U.S. ambassador to Peru, Theodore C. Achilles, had been wholeheartedly supporting the DOS's line. Achilles would have a difficult problem explaining the action to the Peruvian government. The Peruvian press devoted major attention to the issue of U.S. lead and zinc duties. Pro-U.S. La

³⁷ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "National Intelligence Estimate," *FRUS* 1955-1957, Vol. VI, August 13th, 1957.

Prensa this time changed to attack the U.S. lead and zinc policy on headline. U.S. policy was depicted as a “mortal blow” to the Peruvian economy, questioning the reality of the “good neighbor policy”.³⁸ This would lead to probable termination of stockpiling and deteriorating relations with Peru. What was the Peruvian response to the enactment of new tariffs?

During 1956, economic growth in Peru was satisfactory, while the economic prospect was less promising by mid-1957 because of the decline in world prices of copper, lead and zinc (accounting for one fourth).³⁹ In the Peruvian Prime Minister’s Call on President Eisenhower, Eisenhower replied to Dr. Manuel Cisneros:

[He] was very much aware of the impact of the lead and zinc problem on Peru. The best solution would be for prices to move upward, but so far this had not occurred. The affected interests in the U.S., while relatively small, have brought great pressure to bear on the members of Congress and senators from several states. Finally, he gave no indication as to the outcome of the matter.⁴⁰

Mexico and Peru were two main countries suffering from U.S. lead and zinc duties.

Eisenhower pursued the free trade policy on one hand but on the other hand, he

³⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Editorial Note,” *FRUS* 1955-1957, Vol. VII, Document 535.

³⁹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Current Economic Developments,” *FRUS* 1955-1957, Vol. VI, November 26th, 1957.

⁴⁰ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of a Conversation, Department of State, Washington,” *FRUS* 1955-1957, Vol. VI, Oct 14th, 1957.

needed to alleviate domestic pressures from U.S. Congress and domestic mining industries. This constituted the economic paradox that free trade policy reduces all trade barriers. With domestic concerns, Eisenhower would definitely need support from Congress to continue the Trade Agreements Act and thus, the decline in domestic mining forced Eisenhower to adjust his policy. The connection between them is the Executive Order escape clause designed to protect domestic industries.

Preparation for the Buenos Aires Economic Conference

The Conference started from 15th August to 4th September 1957. On 14th February 1957, the Inter-American Economic and Social Council (IA-ECOSOC) had set the agenda for the Buenos Aires Conference: “general economic agreement, economic development, foreign trade, technical cooperation, and transportation”. The DOT was doubtful whether the U.S. should follow the agenda setting proposed by the Secretariat of the Pan American Union at the request of the IA-ECOSOC. The DOT considered the draft text included language that “went far beyond that which the U.S. has ever agreed to in the past or conceivably could agree to in the future”. The Treasury representatives raised questions about the order of the agenda, saying that “the agreement should really be the last item rather than the first item on the Agenda since the subsequent items were all included in the agreement text as chapters or

subordinate headings”.⁴¹ The DOT recommended that the U.S. “decide position, and negotiate with Latin American countries as strongly as possible”.⁴²

The first item on the agenda was a proposed General Inter-American Economic Agreement. According to Summary Notes of a Meeting of the Subcommittee on the Buenos Aires Economic Conference, political bureaucrats discussed the various forms that an economic agreement might take, and there were at least three possibilities:

- (a) An executive agreement,
- (b) A treaty to be submitted to the Senate for consent to ratification (or it could be an agreement for approval by joint resolution of both Houses of Congress), or
- (c) A declaration of principles which would have the status merely of recommendations to governments.⁴³

As mentioned in the previous chapter, Eisenhower’s foreign policy is the outcome of interdepartmental discussions, coordinating with different agencies. Most participants contemplated different options but thought it was too early to make an economic agreement. Assistant Secretary of State for Economic Affairs, Thorsten V. Kalijarvi indicated that “the draft was a one-side proposal which was not likely to be supported

⁴¹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of a Conversation, Department of the Treasury, Washington,” *FRUS* 1955-1957, Vol. VI, May 23rd, 1957.

⁴² *Ibid.*

⁴³ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Summary Notes of a Meeting of the Subcommittee on the Buenos Aires Economic Conference, Department of State, Washington,” *FRUS* 1955-1957, Vol. VI, May 28th, 1957.

by the Senate”.⁴⁴ The draft contained ambiguous commitments, and the U.S. was in an unfavourable position to accept it.

The agreement was unbalanced because it required many concessions from the U.S. and very little from the Latin American countries. Mr. Kalijarvi anticipated that Latin American countries would attack the imposition of quotas on the imports that included lead, zinc, woollen textiles and linen towelling.⁴⁵ Rubottom agreed with Kalijarvi but he proceeded to point out that the U.S. referred to creating an International Finance Corporation (IFC) to finance Latin American economic development but the U.S. had not made even one loan to Latin America since then. The Director of the ICA, Rollin S. Atwood, agreed with Mr. Kalijarvi that “the draft agreement was weighted in favor of the Latin American countries, and he recommended that the U.S. request concessions to compensate”.⁴⁶ The subcommittee discussion did not reach a conclusion but apparently bureaucrats, especially Rubottom, tended to bridge the gap in the public capital domain. However, some bureaucrats continuously encouraged or even expanded the U.S. private investment in Latin America such as making improvements to conditions favourable for private

⁴⁴ *Ibid.*

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*

investments.

The Under Secretary of the Treasury, Warren Randolph Burgess, provided better tax incentives to stimulate new investment abroad on 4th June. “Taxes spared” was used to replace rapid amortization. The former was a provision allowing “a credit against U.S. tax liability for the amount of taxes given up by a foreign country”. This method was designed to avoid “double taxation” by entering into conventions with other countries which will remove various obstacles to the flow of trade and investment. Yet, the latter was supported to promote U.S. domestic investment. “This device could not be used in the defense program, except in the case of very restricted types of construction and equipment occupying the highest military priority”.⁴⁷ Burgess’s position at the Buenos Aires Conference was strikingly different from that of Rubottom but they could develop their respective ideas independently within the Eisenhower foreign policy mechanism.

The U.S. position was taken on 24th July 1957 as recommended by the Randall Commission. With regard to the Inter-American Economic Agreement, the U.S. could

⁴⁷ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Letter From the Under Secretary of the Treasury (Burgess) to Milton S. Eisenhower,” *FRUS* 1955-1957, Vol. VI, June 4th, 1957.

only make a resolution or declaration to alleviate the tensions strained by divergences.

According to the Letter from Rubottom to Randall, the Commission commented that:

the U.S. strongly supports bilateral tax agreements to eliminate tax obstacles to the formation and flow of capital. The US has a broad and positive policy toward public investment in Latin American economic development. A new institution is not necessary. The Eximbank, the IBRD, and the IFC constituted a broad framework toward public investment in Latin American economic development. The Smathers Fund and P.L. 480 lending were additional sources of public financing.⁴⁸

The context has shown that the bureaucrats reiterated the established foreign policy towards Latin America but were also welcome to an influx of intellectual philosophy to advocate the inflow of public capital. One of the characteristics during the Eisenhower administration aimed to make different foreign policy objectives work effectively as a whole. Interdepartmental differences would be coordinated before being presented to the OCB or even further to the NSC. Eisenhower's decision-making role was like an arbiter who finally picks up a piece of recommendation or advice he likes and crystallizes into a policy.

From the Latin American perspective, Latin Americans envisaged economic prosperity could be upheld by regional market, free trade and the international

⁴⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Letter From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Chairman of the Council on Foreign Economic Policy (Randall)," *FRUS* 1955-1957, Vol. VI, July 24th, 1957.

commodity agreements. Yet, the U.S. did not support international commodity agreements - except sugar and wheat - to stabilize prices for primary Latin American exports. The current tariff imposition on lead and zinc though affecting Latin American sales, the U.S. would maintain the cornerstone of trade policy such as “reciprocal, gradual, selective reduction of tariffs and other barriers” and focused “low or non-existent U.S. duties on major Latin American exports”.⁴⁹ With regard to the current P.L. 480 program, the U.S. would need to ensure that P.L. 480 would not displace the usual market.⁵⁰ The U.S. position was set by its domestic concerns and therefore it was impossible to reduce the trade barriers and put U.S. domestic products or mining in a highly competitive market with Latin American imports.

Significance of the Buenos Aires Conference

Two different kinds of views were expressed during the Conference. Dillon, on one hand, envisaged “full-scale integration as the end result of the process” but it might be impossible to reach it immediately. However, he saw a chance to develop the common market based on a “selective commodity” basis. On the other hand, Raúl Prebisch, the Executive Secretary at the Economic Commission for Latin America (ECLA), voiced that he was strongly opposed to arrangements developing a larger regional market in

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

Latin America for primary Latin American exports which would lead to a monopoly.

If monopolies were allowed to develop, or regional trade were not fostered on a free enterprise basis, this would ruin the whole concept of the common market.⁵¹

Dr. Prebisch said that the reason for confining the common market proposals to “individual commodities and to capital goods industries which were now in existence, was essentially political”. There were some problems. First, bilateral trade balancing agreements were viewed as obstacles to inter-American trade. Second, the level of the external tariff was the issue to be discussed. For example, “the ECLA people were thinking that a rate for tractors and automobiles as high as possible roughly 30 to 40%”. Pursuant to the Memorandum of a Conversation, it summarised that “markets for the automotive industry were established, the 30-40% tariff would be the only restriction on imports from the outside”.⁵²

The economic disputes not only happened to the U.S. and Latin American countries but also existed within the hemispheric countries. With regard to a general economic agreement, Urzua Merino of Chile supported “a formal agreement on broad principles;

⁵¹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of a Conversation, Alvear Palace, Buenos Aires,” *FRUS* 1955-1957, Vol. VI, August 16th, 1957.

⁵² *Ibid.*

not inflexible on this point if others approve a resolution or manifesto in general terms”. Vasconcellos of Uruguay anticipated a general agreement on broad principles could come out from this Conference. Durón of Honduras did not want a treaty at all. Despradel of the Dominican Republic went along with “the U.S. view on a general statement of principles”. Serrano of El Salvador insisted that “the general agreement should consist of a formally signed treaty even though brief and based on general principles”. Alvarez Restrepo of Colombia favoured “a general agreement on broad principles that could later be amplified”.⁵³

Regarding economic development, Urzua Merino considered a new institution to run the Inter-American Development Fund essential. Durón expressed “no special interest in an Inter-American Development Fund”. Restrepo was in line with the U.S., hoping that Eximbank and World Bank aid could upsize their lending capacity. Despradel said the Dominican Republic had not yet used the Eximbank, the IMF and other agencies quite so often. Serrano held the view that El Salvador supported an Inter-American Fund because the government considered it conducive to economic integration in Central America. Cubans called for the dividing up of the negotiations among the other committees, and a Cuban proposal for serious study for the eventual

⁵³ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Consolidated Memorandum of a Conversation,” *FRUS* 1955-1957, Vol. VI, August 17th, 1957.

establishment of an inter-American financing system.⁵⁴

In relation to trade policy, Urzua Merino put forward that Chile relied much on copper but its price fluctuated in the world market. Chile could not rectify the economic situation itself to get fair prices. So far, the Chilean Government has taken the austerity measures suggested by the Klein-Saks mission to stabilize the economy and combat inflation. Vasconcellos strongly advocated Uruguay supported the promotion of a common market plan to be obtained from Anderson. Durón stated that Honduras would “go along with any plan for promoting Inter-American trade acceptable to the majority”. Restrepo said that “Common market idea should receive greater study and more sympathetic consideration”. Despradel aired “no views about a common market program”. Serrano of El Salvador limited his discussion of foreign commerce to an observation that “the Central American economic integration program might prove a success in promoting commerce in that area”.⁵⁵

Other than the said economic disputes, the U.S. was concerned most about “bilateral tax agreements to eliminate tax obstacles to the flow of capital”. The U.S. had demonstrated the willingness to interpose “tax-sparing” provisions in private

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

treaties.⁵⁶ However, the U.S. was unwilling to make any economic concessions to Latin American countries. Would it be possible for the U.S. to promote private investments in Latin America along with tax-sparing provisions? Pursuant to Minutes of a Cabinet Meeting on 22nd August, Anderson believed that “tax-sparing was regarded as an inducement to capital investment and compensation for private property confiscated by governments”.⁵⁷ Having elaborated the point on private investment, the U.S. might be able to discuss trade policy. There were two resolutions:

- (a) the establishment by the IA-ECOSOC of a permanent committee on basic product commodities;
- (b) developing international commodity agreements for dealing with the problem of price instability.⁵⁸

The U.S. agreed the first resolution but abstained from the second on the grounds that international commodity had nothing to do with price instability.⁵⁹ In analysing these two resolutions, one needs to be clear with the U.S. position during the Buenos Aires Economic Conference. The U.S. refuses to make a regional agreement for Latin

⁵⁶ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Snow) to the Secretary of State,” *FRUS* 1955-1957, Vol. VI, August 22nd, 1957.

⁵⁷ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Minutes of a Cabinet Meeting, The White House, Washington,” *FRUS* 1955-1957, Vol. VI, August 23rd, 1957.

⁵⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Summary Notes of a Meeting of the Delegation’s Steering Committee,” *FRUS* 1955-1957, Vol. VI, August 30th, 1957.

⁵⁹ *Ibid.*

American countries. Consequently, establishing a permanent IA-ECOSOC committee to study basic product commodities would serve U.S. interests. The U.S. was aware that Latin American countries needed more development capital. Relying simply on private funds would not be adequate so the U.S. had a broad and positive policy toward public investment in Latin America. The Economic Conference of the OAS comforted Latin American countries:

Intensification of efforts, individually or through international financial institutions, to expand the flow of public capital to the countries of the American continent through the extension of credits for the sound financing of investments considered essential to development, and to encourage private investment therein, in order to promote their economic development and strengthen mutually beneficial economic relationships among the American countries.⁶⁰

This economic declaration was made by the OAS rather than the U.S. individually.

Eisenhower said the Economic Declaration of Buenos Aires was an outstanding statement that the OAS could justly be proud of:

It calls especially for a freer flow of trade, for cooperation on the problems of basic commodities, for expansion of the flow of private and public capital, and for the effective support of scientific and technical cooperation programs, all within the framework of our respective laws.⁶¹

Dillon added that the Economic Declaration strengthened “economies of the

⁶⁰ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Current Economic Developments,” *FRUS* 1955-1957, Vol. VI, September 17th, 1957.

⁶¹ *Department of State Bulletin*, September 30, 1957, p. 539.

participating countries and the improvement of the living standards of the peoples of the Americas”.⁶² Dillon’s liberal thoughts reflected the effect of the OAS to function some national or regional plans that may contribute to the acceleration of economic development and the improvement of the standards of living of the peoples in Latin American countries. Rubottom identified Latin American countries’ demands to increase additional governmental funds for economic development as political intents which reinforce Latin American countries’ position to gain economic control themselves. Most Latin Americans supposed that private investors were not likely to be able to supply the major portion of the foreign funds needed for development. Foreign private enterprise might exercise an undue influence on the economic and political life of the host country. Hence, Latin American representatives required a new financial institution to provide such funds during the Buenos Aires Conference - not just depend on private enterprise.⁶³

Rethinking the U.S. Approach from Bilateralism to Multilateralism

Economic cooperation as mentioned in the Economic Declaration of Buenos Aires implied more inter-American economic activities in the economic and social fields

⁶² *Ibid.*, p. 540.

⁶³ R. Richard Rubottom, Jr, “Developments in Latin America: the Buenos Aires Economic Conference,” delivered before the Council on Foreign Relations, New York, October 10th 1957, p. 93.

would be assigned to the OAS. The aftermath of the Buenos Aires Conference was to rethink the U.S. fundamental approach in Latin America within established policy lines. The effect of the Economic Declaration of Buenos Aires was to spark a debate about the U.S. foreign policy towards Latin America. The new policy initiatives were, more often than not, described as ill-formed and grudging, introduced in response to bitter requests raised by Latin American countries. Overstating the efficacy of U.S. private investment in Latin America as the solution to perplexing problems was an Achilles' heel in Eisenhower's economic policy.

In the first place, Dulles adhered tightly to the idea that the inflow of private investment could bring in a ripple effect on economic development in Latin America.

Dulles commented that:

the U.S. is the principal source of economic assistance and the twenty Latin American countries generally share a position seeking such assistance, the question of what kind of economic cooperation can suitably be carried out through multilateral channels and what kind through bilateral channels remains to be clarified.⁶⁴

In his personal opinion, bilateralism was more realistic an approach to an individual Latin American country than multilateralism. Although multilateralism provided an

⁶⁴ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Instruction from the Secretary of State to All Diplomatic Missions in the American Republics," *FRUS* 1955-1957, Vol. VI, October 21st, 1957.

effective channel to satisfy Latin America as a whole, its efficacy was easily exaggerated by its significance.⁶⁵ In my analysis, Dulles' bilateralism suggests long-standing cooperation with an authoritarian government or a military junta. This approach has often overlapped with the anti-communist agenda; a potent justification in the Cold War to overcome dissents in Eisenhower's NSC advisory machinery.

In the second place, a notable achievement of the Buenos Aires Conference was to arrange economic reservations for further study. The U.S. was about to extend economic cooperation to other members of the OAS such as undertaking a broad program of economic cooperation to consider public loans for the economic development of Latin American countries. The appeal to increase public loans had been conceptualized but an inter-American economic agreement was definitely not what the U.S. could offer at this moment.⁶⁶ Obviously, the U.S. could not shift from the potential benefits of modernization theory to a broad economic approach as a positive response to Latin American economic requests.

Although Rubottom stuck firmly to the U.S. position during the Buenos Aires Conference, he had noticed that the focuses of the Conference would be quite similar

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

to those persistently recurring at inter-American meetings on economic subjects.

Rubottom suggested that the tariffs on zinc and lead deteriorated U.S.-Latin American relations. As a result, efforts towards the Latin American countries should be redoubled based on an individual basis and should reconsider “all pending applications” and orient “Paraguay and Honduras into proper channels for early approval of Development Loan Fund (DLF) projects”.⁶⁷

As far as the DLF was concerned, Congressmen, like Senator Smathers, expressed their interest in undertaking extension of loans for Latin American projects. The DLF, as part of a revision of the MSA, was run by the ICA with its aim to provide capital projects to foreign countries, and recipient countries could repay by means of the local currency. In a Memorandum from Rubottom to Dillon, Rubottom asserted that:

The Executive Branch officers concerned with DLF operations may consider only Bolivia, Honduras, Paraguay and Haiti in Latin America eligible for access to the Fund and discourage other countries from submitting proposals to it. As a corollary to this attitude there appears to be a disposition arbitrarily to define a sound economic project.⁶⁸

Rubottom made two important recommendations annexed to the DLF. Firstly, nearly

⁶⁷ *Ibid.*

⁶⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Deputy Under Secretary of State for Economic Affairs (Dillon),” *FRUS* 1955-1957, Vol. VI, December 20th 1957.

20% ought to be reserved in public sectors like education, health, sanitation and resettlement as contemplated in the Smathers Amendment. Secondly, some Latin American countries might suffer from deteriorating export earnings that limited their abilities to get credit from existing institutions to finance a sound project, and the U.S. should recognize that.⁶⁹

The Smathers Amendment was used to finance projects in public sectors like infrastructure; unfortunately, U.S. Congress rejected the \$25 million authorized for this purpose partially because the sponsor of the Amendment and others were led to believe that “its objectives would be attained through MSA Special Assistance funds and the DLF”. The Executive Branch, in fact, opposed the appropriation of funds under the Smathers Amendment on these grounds. Thus, Mr. Snow commented before the House Appropriations Committee:

We do not consider this a necessary provision to make because the type of loan contemplated by Senator Smathers is also contemplated under the new Development Loan Fund ... and that the sort of loan contemplated would come under that Fund.⁷⁰

Because of the falling prices in the market, tin, lead, zinc and copper suffered a blow. This unfavourably affected the balance of payments (BOP) positions of several

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

important Latin American countries and reduced their credit worthiness. According to the Memorandum from Rubottom to Dillon, the likelihood is “many of these countries would soon approach the limits of credits available from existing institutions, particularly when account is taken of their existing repayment obligations”.⁷¹

One of the most striking characteristics in Eisenhower’s advisory machinery was an influx of contradictory objectives. Eisenhower was fascinated by the positive outcomes of well-organized structure in foreign policy. Eisenhower, secretariats and primary NSC advisers at the top of the organization always attached the coherence of policy to emphasizing implications for national security. However, they for the most part overlooked the internal pressure from second-tier economic liberals which limited policy malleability towards Latin America. Hence, they lived in an illusion of coherence. For example, there were two different approaches within the DOS. Dulles supported the utilization of bilateralism whereas Rubottom and Dillon advocated the employment of multilateralism. The two approaches were integrated into Eisenhower’s grand strategy within his advisory machinery. Apparently, the machinery could not meet all ideals since they were contradictory to one another.

⁷¹ *Ibid.*

Rubottom urged Dulles to make a visit to Latin America in February 1958 because the economic situation in Latin America had compounded U.S.-Latin American relations.

Also, communists might take advantage of these economic troubles. In a January 19 memorandum to Under Secretary of State Christian A. Herter, Dulles said:

he thought U.S. economic policies in relation to Latin America were “too negative”, that U.S. policy concerning trade between Latin America and the Soviet bloc was too restrictive, and that there should be a re-examination of the U.S. policy of opposing quota arrangements on commodities.⁷²

Dulles did not think that the U.S. was in a good position to resist the SEO when prices for raw materials fell and the demand decreased.⁷³ In this context, Dulles was concerned about the implications of the SEO while Rubottom highlighted the widespread discontent in Latin America marked by lack of public funds into the area.

There was considerable latent incoherence in Eisenhower’s overall strategy. First, U.S.-Latin American relations were negative mainly because the U.S. could not agree with an Inter-American Bank, trade policy with regard to import taxes on lead and zinc, commodity marketing and pricing problems, and economic integration. Second, strategic access to raw materials means another counterforce to the SEO. Among these economic reservations, only the commodity issue might have implications with

⁷² Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Editorial Note,” *FRUS* 1958-1960, Vol. V., Document 41.

⁷³ *Ibid.*

the SEO. The U.S. had got strong bilateral relations with some Latin American countries since the Second World War. The influence of the SEO in Latin America was relatively limited. In policy operation, the economic objectives would be more or less distracted when mingled with a national security theme - let's say - the potential threat of the SEO. Although Dulles was an advocate of Eisenhower's economic policy, he was not opposed to engaging in a multilateral study.

Nixon's Visit: A Wake-Up Call for Policy Change

Nixon's visit to South America was not so much viewed as a goodwill trip as portrayed as a "holding trip". The outcome of this visit has shown that U.S. foreign policy did not help Latin American countries to improve economic development, and thus, anti-Americanism was widespread throughout Latin America. U.S.-Latin American relations in 1958 hit rock bottom as Nixon was heavily humiliated during his visit to Latin America though unhurt. Milton Eisenhower's visit to Central America was to collect some information; however, the situation was still not good by August. Although Milton S. Eisenhower was not an official diplomat, his recommendations really gave food for thought upon the established policy. It is fair to say that Nixon's visit and Milton S. Eisenhower's visit convinced Dulles to take a regional approach to the problem of providing financial support for Latin American

development.

On 6th March 1958, Dulles, in a letter to Nixon, set out an itinerary for Nixon. Nixon was supposed to visit Venezuela, Uruguay, Argentina and Bolivia, starting from 27th April to 15th May 1958. With regard to Venezuela, Marcos Pérez Jiménez had been deposed by a coup lest U.S. special economic and strategic interests might be threatened. As for Uruguay, the U.S. had raised its tariffs on wool and meat imports, exports that Uruguay heavily relied on. The government had expropriated the Swift and Armour meat packing plants, fearing that the American companies were planning to close them.⁷⁴ The primary purpose of this visit was to attend the inauguration of Arturo Frondizi, the popularly elected president with whom the U.S. would like to build a good relationship right after the overthrow of Juan Perón. Bolivia was recommended because the Soviet Union unexpectedly dumped 10,000 tons of tin on the world market, and the sharp drop in price had severely strained the Bolivian economy.⁷⁵

Nixon's visit did not receive positive feedback. That inter-American relations were

⁷⁴ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Letter From the Secretary of State to the Vice President," *FRUS* 1958-1960, Vol. V, March 6th, 1958. In addition to the countries that DOS suggested, Nixon also visited Paraguay, Ecuador, and Colombia.

⁷⁵ *Ibid.*

cordial and solid as Eisenhower had imagined was an irony. Irwin F. Gellman commented that:

On 28th April, as the motorcade drove into the capital of Uruguay, a small group of protestors tossed anti-American leaflets at Nixon's limousine...Uruguay recently concluded a barter agreement with the Soviet minister: Uruguayan wool for Soviet oil.⁷⁶

Then, Nixon headed for Argentina but he missed Frondizi's inaugural ceremony because of large crowds and heavy traffic. He spent two days in Bolivia, refusing Hernán Siles Zuazo's demands to stockpile tin and finance loans through the IBRD and Eximbank. On 7th May, he received the coolest reception in Peru where the U.S. had planned to increase U.S. tariffs on zinc and lead. One of the protestors spat on Nixon's cheek when he tried to return to his hotel from San Marcos University.⁷⁷

Eisenhower sent Nixon a radiotelephone message to encourage him. According to Gellman, the radiotelephone message stated "your courage, patience and calmness in the demonstration directed against you by radical agitators have brought you new respect and admiration in our country".⁷⁸ Things came off badly when he moved to Ecuador where some Ecuadorans passed out leaflets saying "Nixon Go Home", and

⁷⁶ Gellman, *op. cit.*, p. 496.

⁷⁷ *Ibid.*, pp. 497-501.

⁷⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Message from the President to Vice President, at Quito," *FRUS* 1958-1960, Vol. V, May 9th, 1958.

for the first time, there was graffiti on walls: “Death to Nixon”. Nixon received a relatively positive reception in Colombia where he talked privately with Alberto Lleras Camargo about the falling price of coffee.⁷⁹

Returning to Washington, Nixon briefed the Cabinet that slogans, placards and techniques were all tactics of communist conspiracy but he particularly emphasized that the outcomes of the Buenos Aires Conference had its consequences which lead to political complaints against the U.S. (the tariff increase and coffee price). He hoped that “his trip would have effect in dissipating naiveté to Communist influence in these countries”. Thus, he suggested promoting non-governmental exchange such as group leaders, university leaders and communications people. The U.S. should devote most to “raising the standard of living of the masses”, rather than “protecting the privileges of a few”.⁸⁰

Dulles stated his agreement with the analysis of the problem, then pointed to the “difficulty of dealing with it since democracy as we know it will not be instituted by the lower classes as they gain power - rather they will bring in more of a dictatorship

⁷⁹ Gellman, *op. cit.*, pp. 501-503.

⁸⁰ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Minutes of the Cabinet Meeting, White House, Washington,” *FRUS* 1958-1960, Vol. V, May 16th, 1958.

of the masses”. Hence, non-official contacts would help. Nixon then highlighted “the importance of educational exchanges and his hope that our exchange programs could be at least doubled”.⁸¹ Eisenhower started to focus on Latin America earnestly and to propose new initiatives as a result of the aftermath of Nixon’s visit.

Milton S. Eisenhower’s trip to Central America followed the episode of Nixon’s visit to South America. He pointed out that Eisenhower’s approach did not reach public sectors such as housing, education and public health. Milton S. Eisenhower left Washington on 12th July, for a fact-finding trip to Panama, Honduras, Costa Rica, Nicaragua, El Salvador, and Guatemala, and returned to Washington on 1st August.

Milton S. Eisenhower said:

No matter how voluminous the flow of credit might be, no matter how successful the U.S. might be in helping promote economic growth within the prevailing order, the masses did not benefit from prosperity.⁸²

The main objective of this visit was to identify the key issue that hinders the standard of living of the masses, which was a bit different from that of Nixon’s visit. He was pretty much motivated by what he had seen in Panama where President de la Guardia outlined Panama’s need for capital to finance schools, roads, piers, and, above all,

⁸¹ *Ibid.*

⁸² Milton S. Eisenhower, *The Wine is Bitter: The United States and Latin America* (New York: Doubleday & Company, 1963), p. 209.

houses in Panama City. Milton S. Eisenhower conceived the solution to the demands for public housing:

[the possible solution] for low-cost houses was to use monthly payments from employees to cover interest and amortization that could be deducted from their salaries, making the loan from the U.S. for the total cost a fairly safe investment...⁸³

Honduras, Costa Rica, Nicaragua and El Salvador were rife with illiteracy, low infrastructure, low per capita income and awful public health. On 24th July, Milton Eisenhower flew to Puerto Rico where he studied “self-help housing projects, industries, and agriculture”. Average per capita income had increased five times since he visited Puerto Rico in 1938. It is impossible to compare Puerto Rico with other independent Latin American countries but Puerto Rico indeed set a good example for Latin American countries. Therefore, he recommended that the U.S. initiate a program of low-cost housing, “starting with the 35 hundred Canal employees”. The recommendation was likewise reported to the head of the DLF and “urged a cooperative effort by the Fund and private credit institutions in initiating the housing experiment”.⁸⁴

According to the Department of State Bulletin on 25th August 1958, Milton S.

⁸³ *Ibid.*, p. 215.

⁸⁴ *Ibid.*, pp. 218-221.

Eisenhower urged that the U.S. review its economic policies toward the Central America area upon his arrival in the U.S. In a preliminary report to the President on

1st August, he suggested policy and program improvements that dealt with:

- (a) the imperative need for bankable loans, not grants, in every country visited;
- (b) the response which the U.S. should make to the appeal of Latin American nations for more stable relationships between raw commodity prices and the prices of manufactured products;
- (c) the urgent and immediate need to bring about throughout the hemisphere a clear, accurate understanding of U.S. policies, purposes, programs and capabilities.⁸⁵

The follow-up on Milton S. Eisenhower's visit was Dulles' visit to Brazil in early August which further convinced Dulles that it was essential for political reasons to take a regional approach to the problem of offering financial support for Latin American development. Liberal officials, such as Milton S. Eisenhower, Rubottom, Dillon and Anderson, gain much weight and influence soon after the said visits to Latin America. Allcock pointed out the role of Rubottom and Dillon in the decision-making process; they gained much influence in the preparation of the Buenos Aires Conference.⁸⁶

However, the next part would not challenge the scholarly premises proposed by

⁸⁵ *Department of State Bulletin*, August 25, 1958, pp. 309-310.

⁸⁶ Allcock, *op. cit.*, p. 107.

Allcock and Bevan Sewell but it would strongly argue that Brazil is the case that attempts to revise the U.S. loan position through the framework of “Operation Pan America” before and after Nixon and Dulles’ visits.⁸⁷ Following the disastrous end to Nixon’s trip in 1958, Kubitschek attempted to align Brazil with U.S. interests to get more foreign aid control.

Dulles’ Visit to Brazil: Pan Americanism

Dulles’ official visit to Brazil from 4th August to 6th August 1958 was defined as the process to “Operation Pan America”, which envisaged Marshall Plan-like funds to the masses of Latin America. According to the Telegram from the Department of State to the Embassy in Brazil, it suggested:

Brazil have recourse to gold pledge was not principal recommendation of Anderson letter. Principal recommendation was that Brazil work out comprehensive economic and financial program with IMF. Reference to gold pledge was merely means tiding Brazil over if necessary before satisfactory program agreed upon with IMF.⁸⁸

As the context indicated, the U.S. expected that Brazil could comply with the IMF to

⁸⁷ Bevan Sewell, “Early Modernisation Theory? The Eisenhower Administration and the Foreign Policy of Development in Brazil,” *The English Historical Review*, Vol. CXXV, No. 517 (November, 2010).

⁸⁸ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Telegram From the Department of State to the Embassy in Brazil,” *FRUS* 1958-1960, Vol. V, March 29th, 1958.

achieve economic progress. However, Brazil would undertake a series of economic programs based on the developmental funds.⁸⁹ As I see it, Brazil presented economic problems in Latin America in front of the U.S. Kubitschek delivered a clear message that the current U.S. foreign aid policy was inadequate to meet economic problems in Brazil. Hence, Brazil, as a rising power in Latin America, served as a representative to solicit economic assistance from the U.S.

Kubitschek saw a chance of revising the U.S. loan position in Eisenhower's economic policy towards Latin America. Kubitschek's shaky position upon the concept of Operation Pan America, as the DOS pointed out, was a political expediency with a view to the urgent need for U.S. balance-of-payments loans without the implementation of the total exchange reform program being required by the IMF. He identified Brazilian interests with U.S. interests by reaffirming Operation Pan America so as to get diplomatic support.⁹⁰ In doing so, he claimed 95% compliance with the IMF. The reason he avoided the final steps in the reform was that they might trigger a series of political and social disturbances his government would not be able to control. Mann analysed that if Kubitschek did not reach a satisfactory agreement with

⁸⁹ *Ibid.*

⁹⁰ Kubitschek seeks revision of U.S. loan position. United States: Department Of State, 15 May 1959. U.S. Declassified Documents Online. Web. 25 Aug. 2016.

the IMF, there would be an avalanche of demands for such loans that would divert U.S. limited public resources from economic development.⁹¹

Eight days later, Ellis O. Briggs, U.S. ambassador to Brazil, telegrammed the DOS illustrating Kubitschek's approach to Hemispheric Affairs. This approach was based on the concept of "Operation Pan America". According to Ellis O. Briggs, he reported Kubitschek's design of "Pan Americanism" to the DOS. He stated "Kubitschek has got no detailed plan [Pan Americanism] to offer but would welcome early opportunity to confide in President since he believes it is high time we jointly undertake an examination of fundamentals".⁹² In my analysis, U.S. bureaucrats questioned the concept of Pan Americanism although they were morally obligated to any program proposed by Latin American states. This has shown the inherent contradiction in Eisenhower's policy of neutrality. In theory, the Executive Branch recognized the importance of economic development in Latin America, but in practice it was concerned about the viability of the concept.

⁹¹ *Ibid.*

⁹² Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Telegram From the Embassy in Brazil to the Department of State," *FRUS* 1958-1960, Vol. V, May 23rd, 1958.

One month later, Kubitschek developed his concept of Pan Americanism for strengthening bilateral relations between the U.S. and Brazil. Brazil's role, in consequence, was of much importance to the rest of the Latin American countries.

What was the concept of Operation Pan America all about? On 20th June, Rubottom enclosed the concept of Operation Pan America in depth, and forwarded a memorandum to Eisenhower in which Kubitschek argued the U.S. should double its efforts to tackle Latin American poverty. In other words, the U.S. should take not only a bilateral approach but also a multilateral approach to support economic progress in Latin America.⁹³ As I see it, Kubitschek's proposal was a response to the Buenos Aires Conference during which the request for regional funds was put forward for discussion. Did the U.S. foreign policy change because of Operation Pan America? What was Dulles' response to this concept?

Kubitschek's belief underpinned Operation Pan America and contributed to joint communiqués on the subject of multilateralism. Dulles embraced Kubitschek's philosophy for multilateralism in general but recognized the principal problems as:

(a) Coffee.

⁹³ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Memorandum From the Secretary of State to the President," *FRUS* 1958-1960, Vol. V, June 20th, 1958.

(b) Eximbank loans, which he said during the next two years would amount to requests totalling \$300 million dollars (electric power \$150 million, iron and steel \$75 million, other industries \$75 million).

(c) Other assistance which he mentioned, included P.L. 480, and DLF loans which he hoped to expand.⁹⁴

Finally, he requested that “there be conversations with the U.S. government for petroleum development without contemplating changes in Brazilian oil legislation”.⁹⁵

The Operation Pan America challenged not only bilateral relations between the U.S. and Brazil but also the U.S. position upon multilateralism. In the first place, Dulles noticed that Brazil was now in urgent need of rapid economic growth but the problems of rapid economic development were very great in free societies and they involved great risks. The key point was:

It is very difficult to attain a rapid rate of development without a high degree of economic controls, which are destructive of free enterprise and freedom. Observing that rapid economic development involves the risk of inflation he expressed the belief that the Brazilian Foreign Minister is fully aware of the problem.⁹⁶

The Embassy in Brazil added that increases proposed in MSP military and non-military programs for Brazil FY 1960 were proper to U.S. objectives. P.L. 480 purchases and

⁹⁴ Department of State Bulletin, August 25, 1958, pp. 301-302.

⁹⁵ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “Memorandum of a Conversation, Brazilian Foreign Office, Rio de Janeiro, 9:30 a.m.,” *FRUS* 1958-1960, Vol. V, August 5th, 1958.

⁹⁶ *Ibid.*

loans were beneficial to the Brazilian economy. The U.S. had recently expressed willingness to study means of combating underdevelopment in Latin American countries, as did the Secretary's recent visit and joint Brazil-U.S. communiqués. The role of the U.S. Information Service was extremely important in this context.⁹⁷ In the second place, some economic reservations remained unsettled after the Buenos Aires Conference. Dulles considered that U.S. participation in international forums such as the Coffee Study Group and General Agreement on Tariffs and Trade (GATT) was important. The U.S. established a Coffee Study Group in Washington; there were over twenty producing and consuming countries.⁹⁸ To be fair, although there were many initiatives for policy change in 1958 during which U.S.-Latin American countries' relations reached their lowest point, the leading bureaucrats did not change the policy towards Latin America. At best, Dulles recognized the merit of Operation Pan America but did not change the policy line upheld by the Executive Branch. Free trade and minimal aid were the cornerstones of U.S. economic policy in Latin America. Rubottom, Dillon and Milton S. Eisenhower took the initiative in expanding the current policy line, bridging the gap in the public capital domain. However, Dulles was concerned with the viability of a multilateral approach.

⁹⁷ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Telegram From the Embassy in Brazil to the Department of State," *FRUS* 1958-1960, Vol. V, August 18th, 1958.

⁹⁸ *Ibid.*

Overall Assessment on U.S. Foreign Policy from 1957 to 1958

Latin American demands for public capital never came into realization since Eisenhower took office in 1953. In examining U.S.-Latin American relations, the neglect of public capital represented a cycle which fermented widespread discontent in Latin America. The impact of bureaucratic change in Eisenhower's cabinet members gave fresh impetus to Eisenhower's current foreign policy. Even though there was no immediate policy change right after the Buenos Aires Conference, the level of influence from newly appointed bureaucrats such as Anderson, Dillon and Rubottom gradually gained a foothold within the foreign policy politics. On the other hand, the influence of senior bureaucrats, like Dulles, was on the wane. Whether the U.S. liberalism or idealism could be achieved in individual Latin American states was still disputable.

The outcome of the Buenos Aires Conference undoubtedly carried much pressure on Latin American countries; likewise, the added-on tariffs increased the level of discontent. Stirred up by this, Latin Americans sought to strengthen the concept of anti-Americanism - the violent attack on Nixon in 1958 was a clear presentation of a growing trend of anti-Americanism. Nixon labelled the furious mob as a communist conspiracy but he felt the necessity of reviewing current policy, paying much attention

to Latin Americans. Had the violent demonstrators been so relevant to the communist conspiracy, why were they consciously prone to its inspiration? Neither political ideology nor economic assistance could explain this riot attack. In my analysis, the incident was not just simply because of the tariff imposition on lead and zinc. The story behind was the anti-Americanism serving as an underlying force for the grass-roots movement.

The idea of the Drago Doctrine, mostly used in the business activities with other countries, has its historical roots in the Calvo Doctrine. The former represents the latter in a narrow sense. The Drago Doctrine has recognized the contractual obligations between the binding parties and agreement to mediation by a third-party institution such as the inter-state tribunal services. In response to the Drago Doctrine, the Roosevelt Corollary was launched by Theodore Roosevelt since the Drago Doctrine misinterpreted its argument from the 11th Amendment to the Constitution of the United States and Alexander Hamilton which likewise gave Roosevelt a political justification to intervene in Latin America under the auspices of the Monroe Doctrine. What was the direct connection between the Monroe Doctrine and the Drago Doctrine? The Drago Doctrine prohibits the European countries from collecting public debts in Latin

America by force due to the equality of sovereignty. Why could Latin American nations not have their own doctrine without any compulsions?

Free trade was the foundation in Eisenhower's foreign policy towards Latin America but could this policy be pursued without domestic pressures? If not, how could the U.S. solve the economic disputes that ferment anti-American sentiments? What has the U.S. learnt from Nixon's visit to South America and Kubitschek's proposal of Pan Americanism? Ironically, the U.S. bureaucrats were aware of the driving force of nationalism but they never appealed to the Latin American public to counteract the effects of anti-Americanism. As a consequence, the conflation of anti-Americanism and the Brazilian nationalism was used by Kubitschek to counteract the influence of U.S. foreign policy. When Eisenhower took office in 1953, bureaucrats tried to influence or even control Latin American national leaders to serve anti-communism policy. However, this did not mean that they actually won the hearts of Latin American nationals. The fallacy was not clearly corrected until Nixon came back from South America. In an analysis of the present political trend in Latin America, the NIE 80/90-58 report evaluates:

the Communists were not numerically strong in Latin America, but were adept at identifying themselves with popular sentiments already prevalent and exploiting them for their own purpose. They fostered the tendency of intellectuals, students, and other leaders of opinion to interpret both the local

situation and US relations in Marxist terms.⁹⁹

Senior bureaucrats during the first term of Eisenhower's administration were largely obsessed with the Cold War belief to fight against the international communism which led to inappropriate or biased decisions. Local communists were not strong but why did not the U.S. try to improve its friendly image in Latin America? The fundamental problem lies in a historical fact that Latin America was not the first priority of U.S. global foreign policy and it was described as an area to support U.S. world policy. As a result, they often reviewed their policy with hindsight not with foresight.

In June 1958, U.S. citizens in Cuba encountered problems of safety and security because 47 American citizens were abducted by Castro rebels. Even though the Americans were released, the case illuminated two defects in U.S. foreign policy towards Latin America. As far as the domestic politics in Cuba were concerned, the difficulties of dealing with this "guerrilla-type activity with the techniques and policies which have been primarily developed in the context of dealing with or through governments in effective control of their national territories". With regard to the inter-American system, there was no central authority to govern the national territory,

⁹⁹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "National Intelligence Estimate," *FRUS* 1958-1960, Vol. V, December 2nd, 1958.

let alone any legal enforcement to maintain social order.¹⁰⁰ Altogether, it meant that the non-intervention principle was, once again, being challenged. The inflow of private investment was the cornerstone of Eisenhower's economic policy towards Latin America; however, how did the U.S. respond to the new nationalist leader?

U.S. bureaucrats gave too little weight to the Cuban Revolution. On 16th February 1959, they did a policy review and issued NSC 5902/1, which covered many areas, including economic development in Latin America, the non-intervention principle, the threat of communism, and informational and cultural aspects. This document has identified that the main problem in U.S.-Latin American relationships resulted from the psychological factor. The factor has been compounded by the following three points:

- (a) the feeling of Latin Americans that the U.S. has neglected them while devoting attention and resources to more distant areas in order to combat communism,
- (b) the tendency of Latin Americans to shift to the U.S. the blame for lack of satisfactory progress, and
- (c) the growth of nationalism.¹⁰¹

Interesting of all, U.S. bureaucrats almost repeated the same problem recurring in Latin American states without contributing a constructive policy. NSC 5902/1 suggests

¹⁰⁰ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "Special Report by the Operations Coordinating Board to the National Security Council," *FRUS* 1958-1960, Vol. V, November 26th, 1958.

¹⁰¹ Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, "National Security Council Report," *FRUS* 1958-1960, Vol. V, February 16th, 1959.

“greater friendship, mutual respect and sense of interdependence among governments and peoples of the American Republics” and “greater Latin American understanding and support of U.S. world policies as well as greater recognition of the constructive U.S. interest in Latin American aspirations”.¹⁰² Was this the so-called political expedient to release the tensions? Did this apply to Cuba? How far could this reach? In this chapter, it has also shown that different policy objectives could be “maintained” through Eisenhower’s foreign policy and they were not always in conflict with one another.

¹⁰² *Ibid.*

CHAPTER FIVE

The Castro-Communist Threat: Agrarian Reform and Disillusion of Castro's Leadership

The fifth chapter of this thesis simply purports that the Cuban Revolution of 1959 and the subsequent U.S.-Cuban relations were the central case of the conflict between U.S. economic interests and the Latin American objective of economic sovereignty. The revolution was indeed a consequence of economic inequalities between the economic control imposed by the U.S. and the economic initiative launched by oppositional forces. Castro's leadership articulated the long latent sense of Latin American nationalism to which a degree of gaining economic control by Latin American initiatives was countered by the U.S. The rising anti-American sentiment was the cornerstone of Cuban nationalism that gained political momentum against the dictatorship of the Batista regime and the influence of American companies in Cuba. The political objective of the revolutionary element was to disrupt the growth of U.S. influence in Cuba.

The success of the revolution was a challenge to the reactive nature of foreign policy towards Latin America, components of which were the combination of communist infiltration and U.S. private investment. While the U.S. tried to keep out communist

influence, this was defined through the context of private investment in Cuba. In consequence, the image of communism was imposed on political and economic reality, which served more to obscure policy operation. The root cause affecting U.S.-Cuban relations with respect to this revolution was political and economic disputes but there was no urgent communist threat to U.S. interests in Cuba at the nascent stage of the revolution. After Castro won the revolution, his attitude towards the U.S. was extremely ambivalent. Some liberal bureaucrats such as Rubottom even conceived of possible cooperation with Castro - this was a positive prelude to Castro's visit to the U.S. in April 1959. There was no significant change to the policy for the enforcement of the Agrarian Reform Law on 17th May 1959.

Given the fact that nationalization was one of the political objectives for economic nationalists, the U.S. bureaucrats demonstrated more attention to Cuban development.¹ The U.S. still preferred to pursue the non-intervention policy. The theme of national security, details of which have been associated with the threat of international communism, was magnified and even integrated after Anastas Mikoyan,

¹ W. Raymond Duncan, "Ideology and Nationalism in Attracting Third World Leaders to Communism: Trends and Issues in the Late Twentieth Century," *World Affairs*, Vol.151, No. 3 (Winter, 1988-89), pp. 106-108.

the Soviet deputy premier, visited Cuba on a trade mission in early February 1960.²

The bilateral contact with Moscow was a blatant challenge against anti-communism principles, U.S. private investments, and the safety of U.S. citizens in Cuba. This made the U.S. position on neutrality unable to respond to Cuba's situation unequivocally:

The U.S. would not adjust its general policy but alter policy operation that would be undertaken not as the output of a coherent U.S. strategy. Furthermore, this would combine two different organizations (the DOS and CIA) for coordination to deal with the political reality in Cuba. In pursuance of policy review in Memorandum of Discussion at the 432d Meeting, it clearly set out that the U.S. objective in Cuba was to: adjust all our actions in such a way as to accelerate the development of an opposition in Cuba which would bring about a change in the Cuban Government, resulting in a new government favorable to U.S. interests.³

Due to the fact that the DOS had been working with the CIA on Cuban problems, the U.S. tried to formulate a program of covert action against the Castro government. The adjustment in policy operation pursued aimed to bridge the gap between U.S. objectives and political reality in Cuba. The covert action unavoidably resulted in fundamental tension in the non-intervention principle.

² Samina Ahmed, "Cuban Foreign Policy under Castro," *Pakistan Horizon*, Vol.33, No. 4 (Fourth Quarter, 1980), p. 52.

³ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 432d Meeting of National Security Council, Washington, January 14, 1960, 9 a.m.," *FRUS* 1958-1960, Vol. VI, January 14th, 1960.

It is apparent that the U.S. took the initiative to deal with the political reality in Cuba through a bilateral rather than a multilateral approach. In addition, NSC 5902/1 never prioritized illustrated methods to achieve overall U.S. objectives. The question raised here was whether a multilateral approach should be utilized before or after a bilateral approach. In a memorandum for Gray, Milton Eisenhower expressed his views on NSC 5902 (paragraphs 21-a and b) showing that he would delete the phrase “taking overt unilateral action only as a last resort” in paragraph 21-a. Also, he would delete the last phrase “take overt unilateral action only when the President determines vital U.S. security interests to be involved” in paragraph 21-b.⁴ The formulation of covert action did not belong to the exceptions of the non-intervention policy nor did it portray the non-intervention principle.

Castro’s regime has had a profound effect upon the course of Latin American affairs. Here I put forward three policy themes from a historical approach in U.S.-Cuban relations: (a) The Agrarian Reform Law might bring about instability and threat of nationalization of private investments. The Cuban Model was supposed to be one of the options for modernization in Latin America; (b) Cuba served as a major target within the narrative of the SEO soon after Mikoyan’s visit to Cuba. Mikoyan

⁴ *Dr. Milton Eisenhower's views on NSC 5902 "U.S. Policy Toward Latin America"* United States: National Security Council, 9 Feb. 1959. *U.S. Declassified Documents Online*. Web. 24 Aug. 2016.

developed trade and diplomatic relations with Cuba; (c) The rise of Castro to power reflected a failure of Eisenhower's general policy in Latin America. The image that the U.S. has neglected Latin American countries recurred, and long-smouldering discontent was found soon after Nixon's visit to Latin America on 27th April 1958.

First of all, the Agrarian Reform Law in May 1959, and the follow-up actions nationalizing both foreign and domestic industrial and commercial enterprise in Cuba in 1960 had significant economic repercussions in Latin America. According to Alfonso Gonzalez, he indicated that:

Latin American capitalists feared the increasing political and economic pressures and the threats of new policies similar to those of the Arbenz administration in Guatemala (1951-1954) and the measures enacted following the Bolivian Revolution (1952).⁵

By comparison with Guatemala, Bolivia was moderate with its land reform policy. Rabe analysed that "the U.S. stake in Bolivia was minimal; land reform in Bolivia did not involve collectivization".⁶ Eisenhower used economic aid to keep Bolivia in non-communist line, and to force the MNR to adopt free trade and investment policies. In general, political instability would decrease the inflow of private capital in Latin America.

⁵ Alfonso Gonzalez, "Castro: Economic Effects on Latin America," *Journal of Inter-American Studies*, Vol.11, No. 2 (April, 1969), pp. 288-291.

⁶ Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America*, pp. 78-79.

Secondly, as far as diplomatic means were concerned, Cuba was a paradigm responding to economic offers provided by the Russians within the ideological framework. Mikoyan went to Havana on a Soviet scientific, cultural and technical exhibition on 5th February 1960. George J. Boughton explained that the Joint Communique summarized that “the Soviet Union contracted to purchase 425,000 tons of sugar from Cuba’s 1960 harvest, and 1 million tons of sugar in each of the following four years”. Mikoyan’s visit was considered much as a formal campaign to re-establish relations with Cuba.⁷

In the past, economic assistance served as an added lever of influence in Latin America but Latin American countries got limited foreign aid or public funds even after the Buenos Aires Conference. By the Act of Bogotá 1960, the U.S. was formally committed to contributing to Latin America's social progress. The establishment of the Inter-American Development Bank was a program to extend “soft loans” for social development in Latin America.⁸

⁷ George J. Boughton, “Soviet-Cuban Relations, 1956-1960,” *Journal of Inter American Studies and World Affairs*, Vol.16, No. 4 (Nov. 1974), pp. 449-451.

⁸ Gonzalez, “Castro: Economic Effects on Latin America,” *Journal of Inter-American Studies*, Vol.11, No. 2 (April, 1969), p. 302.

Thirdly, little attention paid in Latin America also signifies that the DOS bureaucrats, Christian Herter and Rubottom alike, came no closer to solving the fundamental issues in Latin America. From 1958 to 1959, the U.S. had no clear objective in Cuba, let alone what to achieve. This made non-intervention policy unable to respond to Castro effectively while Castro gained much economic control upon U.S. private companies. This turned out to be economic divergence sharpened between the U.S. private companies and the Castro regime. In dealing with the rise of the Castro regime, the U.S. tended to rely much on the CIA to formulate covert action against Castro due to the triumph of the intelligence operation in Guatemala. The failure of non-intervention conducted by the DOS facilitated the coordination with the CIA, which accentuated the lack of clarity in what to achieve, and how to develop non-intervention.

Non-intervention Principle: A Catalyst for Local Nationalism?

According to Andrew Zimbalist, he provided some statistics of Cuba's economy in

1958. The statistics showed U.S. economic interests in Cuba:

98% of Cuba's trade was with non-communist countries. The U.S. alone accounted for 71% of Cuba's exports and 64% of her import. Total U.S. direct private investment in Cuba was close to \$2 billion, controlling over 30% of the sugar industry, one-third of public utilities, and major shares of the mining and manufacturing sectors where sales by U.S.-owned companies amounted to over a

quarter of Cuba's GNP.⁹

The U.S. had suspended its arms policy towards Cuba nearly nine months before Castro's victory, and thus relationships between the Batista government and the U.S. were becoming more and more strained.¹⁰ Non-intervention was the principle in dealing with Cuba in domestic tensions between Batista and Castro. In consequence, no matter who won the revolution, the U.S. could continue doing business with the winner. As a result, I think that non-intervention was an official language but there was no pure non-intervention policy in U.S.-Latin American relations – another paradox.

The Cuban presidential election was supposed to be held in November 1958. Cuba's politics was delineated by two centres of power represented by the Batista regime on the one hand and the revolutionary opposition, mainly the "26th of July" Movement, on the other. In analysing the Cuban situation, Allan C. Stewart, the Deputy Director of the Office of Middle American Affairs, concluded:

Batista's regime is unpopular, and he has not yet promised the public to have a clean election. A change in arms sales policy could give rise to further

⁹ Andrew Zimbalist, "The Prospects for U.S.-Cuba Trade," *Challenge*, Vol.20, No. 6 (Jan./Feb., 1978), p. 51.

¹⁰ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, July 16th, 1958.

kidnappings in Oriente Province or reprisals against American citizens, property, or both, not only in Oriente but elsewhere.¹¹

The U.S., more to the point, did not want to irritate oppositional insurrection by giving all-out support to Batista. From my judgement, maintaining neutrality in Cuban politics was rational but could this approach ensure the safety of U.S. nationals in Cuba? The U.S. Embassy was very passive about Cuban politics. In the past, the U.S. supported Batista but caused anti-American sentiment in Cuba – an accusation of intervention. On the other side, nationalist sentiment grows stronger if the U.S. does not intervene. It is contradictory in maintaining the non-intervention principle and containing local nationalism.

Non-intervention policy could be defined as “refraining from overt unilateral intervention in the affairs of the other American Republics”.¹² Based on the Preliminary Memorandum on Considerations for Policy Recommendations for Cuba, it summarized why the DOS did not support the Batista regime:

To throw our [U.S.] support at this time in favor of the expiring Batista regime would, it is believed, destroy the last remaining faith which the majority of the Cuban people have in U.S. protestations of support for the cause of democracy in

¹¹ Foreign Relations of the United States, Cuba, “Memorandum From the Deputy Director of the Office of Middle American Affairs (Stewart) to the Deputy Assistant Secretary of State for Inter-American Affairs (Snow),” *FRUS* 1958-1960, Vol. VI, July 24th, 1958.

¹² Foreign Relations of the United States, American Republics: Multilateral; Mexico; Caribbean, “National Security Council Report,” *FRUS* 1955-1957, Vol. VI, September 25th, 1956.

a free world.¹³

To put it in an analytical framework, Batista's dictatorship and brutalities could not convince the Cuban people to seek a democratic transition of power in the first place, and in the second place, Fidel Castro gained strength and enjoyed popularity among middle-class labour. The forces of the 26th of July movement substantially controlled Oriente Province outside the principal cities and towns.¹⁴

Given the fact that Cuba's politics were in high political tension, the U.S. must take a wait-and-see attitude on both sides. On one hand the U.S. would suspend all arms shipments to Batista, and on the other hand the U.S. could not be sure what Castro's position might be. There were two alternatives confronting U.S. non-intervention policy in Cuba:

- (a) To allow the situation to drift, which in the Embassy's judgment would result in a sharper polarization of centres of power represented by the Batista regime and revolutionary opposition.
- (b) To do everything possible to promote free and open elections and to discreetly encourage political opposition to unite behind one candidate.¹⁵

U.S. ambassador to Cuba, Smith, analysed the consequences of the two alternatives.

¹³ Foreign Relations of the United States, Cuba, "Draft Memorandum Prepared in the Office of Middle American Affairs," *FRUS* 1958-1960, Vol. VI, July 25th, 1958.

¹⁴ *Ibid.*

¹⁵ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, July 25th, 1958.

In terms of the first plan, the U.S. would be blamed by both sides. Neither Batista nor Castro would be willing to negotiate with each other. Allowing the situation to drift also meant little possibility of a peaceful solution through elections based on constitutional guarantees. In the long run, this plan would bring about a high level of instability in the Caribbean Sea. The second plan was identical with the majority of people of Cuba to have a new government elected, not committed to either extreme, capable with U.S. support of restoring normalcy to Cuba. Thus, Smith personally recommended the Department urgently consider the second alternative.¹⁶

According to the Report Prepared by the Division of Research and Analysis for American Republics, the Bureau of Intelligence and Research indicated that:

A general strike was attempted on April 9, but did not receive nation-wide popular support and was quickly frustrated by strong government counter actions... Its chances for success in overthrowing the Batista regime have increased. Raúl Castro doubled efforts on the guerilla forces (now about 4,000 strong), and strengthened territorial control in Oriente Province.¹⁷

The rebels recovered from their April defeat and arrived at their present advantageous position. In addition, Castro had recently entered into “a unity pact opposing the

¹⁶ *Ibid.*

¹⁷ Foreign Relations of the United States, Cuba, “Report Prepared by the Division of Research and Analysis for American Republics, Bureau of Intelligence and Research,” *FRUS* 1958-1960, Vol. VI, August 15th, 1958.

Batista regime”. The revolutionary forces tenaciously rejected foreign intervention in Cuban internal affairs, and replacement of Batista by a military junta.¹⁸

In the past, the U.S. used to supply the Batista regime with war matériel whereby Batista could maintain political stability in Cuba or at least its facade. That certainly precipitated the revolutionary forces opposing the Batista regime. The kidnap incident in June presented some indication that the Castro forces had by no means taken a pro-U.S. position. On 26th June, the Castro forces attacked the facilities of the Moa Bay Mining Company, seized 11 Americans working there, and 24 U.S. naval personnel were successively abducted at Guantanamo base. This incident gave Castro political influence against the U.S.; based on this fact, additional revenge on Americans in Cuba might be likely to happen unless foreign policies were changed.¹⁹

Since the Cuban Revolution had become acute, U.S. foreign policy was being challenged. According to the Letter from the Consul at Santiago de Cuba (Wollam) to the Officer in Charge of Cuban Affairs (Leonhardy), it revealed that the rebels “condemned the U.S. for supporting the government of President Batista and other so-called dictatorships”. Batista tried to please the U.S. claiming that the

¹⁸ *Ibid.*

¹⁹ *Ibid.*

revolutionary elements were penetrated by communism. However, there had been no clear evidence of communist involvement in the opposition forces; at best, it would seem that “the possibility of the Communists advancing their objectives through the anti-Americanism might be a source of concern” as they were leftists as far as the political spectrum was concerned.²⁰

The Letter from Wollam to Leonhardy showed “the U.S. appeared to receive no credit from either side”. The rebels simply deduced from past experience that Cuba used to be under the MDA Agreement with respect to the use of grant aid equipment previously furnished to the Batista regime, while Batista was annoyed with the inability of the U.S. to provide more materials to defeat Castro. Thus, this delicate local problem needed to be handled carefully. In search of the U.S. national interests, the U.S. had better not get involved in local politics; meanwhile, promoting censorship and due process of election would also defend the U.S. position in Cuba.²¹

In policy operation, the U.S. interests were best served by holding up the decision until a new leader came out to govern Cuba. At this moment, the U.S. would identify policy objectives with those of the Cuban people to facilitate the belief that the U.S.

²⁰ Foreign Relations of the United States, Cuba, “Letter From the Consul at Santiago de Cuba (Wollam) to the Officer in Charge of Cuban Affairs (Leonhardy),” *FRUS* 1958-1960, Vol. VI, August 25th, 1958.

²¹ *Ibid.*

supported the cause of democracy in a free world. In doing so, the U.S. would not be shackled by either side in the revolution narrative.

The U.S. still suspended the sale of arms to Cuba.²² Yet, Smith assessed that U.S. interests would be best served if the Batista government could remain in power until 24th February 1959. The new president would have to “install cabinet, and try to gain confidence of Cuban people”. The new administration might survive with support of the army and support of the U.S. It was his hope that violent overthrow of the present government would result in political chaos in Cuba that might in turn threaten American life and property. Communists might take strength out of the political chaos in Cuba.²³

U.S. foreign policy in Cuba was conducted by the U.S. embassy to Cuba that pursued short-term objectives. In policy operation, the U.S. embassy to Cuba tended to prioritize political objectives rather than economic objectives. The general non-intervention proposition was to stay out of political troubles in Cuba. More

²² Foreign Relations of the United States, Cuba, “Memorandum of a Conversation Between the Officer in Charge of Cuban Affairs (Leonhardy) and Ernesto Betancourt, Department of State Washington,” *FRUS* 1958-1960, Vol. VI, September 19th, 1958.

²³ Foreign Relations of the United States, Cuba, “Telegram From the Embassy in Cuba to the Department of State,” *FRUS* 1958-1960, Vol. VI, September 24th, 1958.

specifically, if the U.S. made any political commitment to either side, it would be viewed as an overt intervention in Cuba's domestic politics by the public. It is Smith's belief that the U.S. interests were best served if Batista could be the president until 24th February 1959. Smith did not envisage a contingency plan to protect U.S. interests when the rebel forces came out to power. Consequently, U.S. foreign policy towards Cuba at this moment was short-term planning rather than long-term planning.

Challenge of Political and Economic Sovereignty

The continuance of non-intervention in the internal affairs of Cuba developed a schema of sources of power held by the rebel forces over eastern provinces of Cuba, which by the same token gave Castro a great chance to gain strength at an alarming pace. The U.S. government analysed that the revolutionary opposition had announced its purpose to "disrupt the elections on 3rd November due to the lack of public confidence in candidates".²⁴ According to the document from the Embassy in Cuba to the DOS, it revealed that:

The unacceptability of the elections to the rebels means that their efforts to overthrow the Government will continue, and hence that the elections offer little hope of resolving this immediate problem.²⁵

²⁴ Foreign Relations of the United States, Cuba, "Despatch From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, September 26th, 1958.

²⁵ *Ibid.*

As the document from the Embassy in Cuba to the DOS shows, four candidates would turn up in the oncoming presidential election. Rivero Agüero was in favour of “continuism” of the regime because he was very faithful to Batista. Grau San Martin was known for the “One Hundred Days government” from 10th September 1933 to 15th January 1934. Salas Amaro, who was the leader of the Party of Cuban Unity, had few public followers. Marquez Sterling, a former president in 1940 Constitutional Convention, had a good reputation. The DOS also urged American nationals not to involve themselves in the Cuban Revolution, or to pay tribute to either side. This would undermine the non-intervention principle.²⁶

In a Memorandum of a Conversation, Mr. Bump, who was the Vice President of United Fruit Company in Boston, referred to the request the Company had received in Cuba to pay tribute to the rebel movement:

In 1957, tribute was being assessed on the basis of the Company’s sugar production of last year and added up to almost \$186,000. The rebels requested \$10,000 paid immediately by 1st October so they could buy some mobile equipment in possession of the United Fruit Company.²⁷

Mr. Raines, the Vice President of United Fruit Company in Cuba, explained that they

²⁶ *Ibid.*

²⁷ Foreign Relations of the United States, Cuba, “Memorandum of a Conversation, Department of State, Washington, September 26 1958,” *FRUS* 1958-1960, Vol. VI, September 26th, 1958.

had lost to the rebels in the past year nearly “\$50,000 worth of equipment and livestock”. He anticipated that the U.S. Government could come up with a strong statement opposing tribute payments, and the rebels would withdraw their demand. He presumed that the rebels would control most areas in eastern Cuba, and “the Cuban Army in the area was completely ineffectual”.²⁸

The public statement that Herter issued did not help American companies in Cuba at all. It was nothing more than an official document reiterating the U.S. position of a non-intervention principle in Cuba:

The U.S. government is opposed to American nationals involving themselves in the internal political affairs of any foreign country. Accordingly, the United States disapproves of contributions, whether forced or voluntary, by American citizens or firms, to any political party or faction within Cuba which would violate that principle.²⁹

In examining non-intervention policy, there was considerable poor identification between U.S. objectives and actions. Even though the DOS stood on a non-intervention principle dictated by U.S. NSC policy, the public statement seemed unhelpful in preventing the kidnapping incident. There was considerable logical fallacy when the DOS approached political reality in Cuba. The U.S. embassy in Cuba

²⁸ *Ibid.*

²⁹ Foreign Relations of the United States, Cuba, “Telegram From the Department of State to the Embassy in Cuba,” *FRUS* 1958-1960, Vol. VI, September 28th, 1958.

analysed that “the rebel movement is much stronger in Oriente now than it was in April, and that its potential for creating disturbances is greatly increased”.³⁰ Yet, what the DOS instructed or pursued did not entirely contribute to the basic principle of protecting private investment in Cuba. U.S. properties and lives were of vital importance.

Two employees in Texaco were abducted by Castro forces close to Santiago but they were released by the rebels later. In despatch 41 from Santiago, October 29, Consul at Santiago de Cuba, Park F. Wollam, summarized why rebel representatives wanted to see the local manager for Texaco. It revealed “the demands made by the rebels in their meeting on October 25 with the Texaco representative for either \$500,000 in cash or \$300,000 worth of arms”.³¹ Even though “the urgency of the matter was stressed by the Consulate”, the DOS did not have a back-up plan to protect U.S. interests operating in eastern Cuba.³²

³⁰ Foreign Relations of the United States, Cuba, “Despatch From the Consulate at Santiago de Cuba to the Department of State,” *FRUS* 1958-1960, Vol. VI, September 30th, 1958.

³¹ Foreign Relations of the United States, Cuba, “Editorial Note,” *FRUS* 1958-1960, Vol. VI, Document 148.

³² *Ibid.*

The DOS bureaucrats symbolically had a meeting with the American business representatives in Cuba. The President of the UFCO, Mr. Kenneth H. Redmond, tried to elicit the possible course of action and policy the U.S. might take towards the newly elected government in Cuba from the Department. Redmond claimed “the increasing difficulties his company was having in Oriente Province and others in the group were or would be faced with a similar situation”.³³ Mr. Wieland and Mr. Leonhardy, who represented the Office of Caribbean and Mexico Affairs, raised a critical question whether “any significant reduction in Castro’s activities would take place after the elections?” Rubottom deferred making any comment on that. There was a considerable lack of clarity in U.S. policy operations after the elections.³⁴

The Director of the American Foreign Power, Mr. Hummel, identified the key issue with reference to U.S. companies paying tribute to the rebel forces in the political struggle in Cuba. He asked that:

If they [private companies in Cuba] continuously refused to pay tribute as the Embassy indicated they should do, how much protection could they expect from the U.S. Government and what recourse would they have against present and future losses caused by the Castro forces.³⁵

³³ Foreign Relations of the United States, Cuba, “Memorandum of a Conversation, Department of State, Washington,” *FRUS* 1958-1960, Vol. VI, October 31st, 1958.

³⁴ *Ibid.*

³⁵ *Ibid.*

Rubottom again deferred to Marjorie M. Whiteman who was Assistant Legal Adviser for Inter-American Affairs. She explained that:

Eastern Cuba are under control of rebels who have no status recognized by the U.S. So far as the Cuban Government is concerned, they are not acting within its authority. Thus, we are unable to look to the legitimate government or to the rebels to provide protection.³⁶

In other words, they did not have the sovereignty and jurisdiction. Based on this point, the U.S. would be unable to look to the legitimate government or to the rebels to provide protection. If Castro came into power, the claim for property damages would be unlikely according to her conjecture.

Andrés Rivero Agüero whom Batista supported was the only candidate in the Cuban presidential election in 1958. In accord with the Memorandum of a Conversation between Smith and Agüero, Smith inquired whether Agüero:

could eliminate Castro's forces before the inauguration in February. Agüero replied that with the present equipment of the Cuban Army he did not think this would be possible. He then referred to a press report of November 15 to the effect that the United States Department of Defense is requesting a 15 billion-dollar special appropriation to re-equip with advanced weapons U.S. military and NATO forces overseas.³⁷

³⁶ *Ibid.*

³⁷ Foreign Relations of the United States, Cuba, "Memorandum of a Conversation Between the Ambassador in Cuba (Smith) and President-Elect Rivero Agüero, Havana," *FRUS* 1958-1960, Vol. VI, November 15th, 1958.

Smith reiterated the U.S. position in Cuba's struggle that the Department was largely concerned about any peaceful solution that the new Cuban Government would follow.³⁸ In my analysis, Smith's behaviour was a form of intervention that imposed political influence on the Cuban politics. The issue was that he wished Agüero could eradicate Castro's nationalists but the Department supported a peaceful resolution. Was Smith in line with the DOS approach?

U.S. bureaucrats tended to focus on various strategic objectives issues rather than on a single dimension of policy. Notable among these was the water supply to Guantanamo naval base, which was considered more important than U.S. private investment. In fact, Cuban rebel-controlled operators stopped supplies to Guantanamo for varying periods on 23rd, 25th, and 27th November, with an expected six to eight hour shutdown by Saturday, November 29th. Based on the strategic security, the Navy Department concluded that "U.S. Marines should be sent to the water plant to protect it, and the Embassy in Havana recommended such action in the event of a further stoppage".³⁹

³⁸ *Ibid.*

³⁹ Foreign Relations of the United States, Cuba, "Memorandum Prepared in the Bureau of Intelligence and Research," *FRUS* 1958-1960, Vol. VI, November 28th, 1958.

A series of incidents indicated that the rebel forces were now endangering U.S. private investment in Cuba and U.S. strategic security. The caretaker government temporarily governed by Agüero could not break the existing political impasse; as a result, the U.S. considered a military junta to govern Cuba would be the most effective way in the present chaotic internal situation. According to a Special National Intelligence Estimate, it summarized the U.S. desire to install a military junta:

A military junta would be the most effective means of breaking the existing political impasse...would have to offer a political solution satisfactory to Fidel Castro, but would not of itself restore peace and stability.⁴⁰

On 17th December 1958, under Rubottom's instructions, Smith informed Batista that "the U.S. will no longer support the present government of Cuba and that the U.S. believes the President is losing control".⁴¹

A number of policy objectives were pursued by the U.S. government with little interaction with each other at a certain period of time, but they seemed to be intertwined to a certain degree when the rebel forces gained more domestic power affecting U.S. strategic interests in Cuba like Guantanamo naval base. Castro was well aware of the strategic importance of the U.S. naval base in Guantanamo, and he might "demand an

⁴⁰ Foreign Relations of the United States, Cuba, "Special National Intelligence Estimate," *FRUS* 1958-1960, Vol. VI, December 16th, 1958.

⁴¹ Rabe, *Eisenhower: The Foreign Policy of Anti-Communism and Latin America*, p. 121.

increase in rental for the base”.⁴² It is the rise of Castro’s power in Cuba that determined policy objectives rather than a priori concept of communism. Consequent peril to American lives and property in Cuba, and the naval base in Guantanamo would need better coordination between the DOS and the CIA, Eisenhower said. However, he indicated that “he did not wish the specifics of covert operations to be presented to the NSC”.⁴³

On 31st December 1958, the government was united against Castro because Castro was a continuing threat to U.S. interests defined by strategic and economic concerns (U.S. private interests and Guantanamo naval base). But, there was no real coordinated policy. Gray inquired whether the DOS would try to “prevent Castro from getting to power.” Mr. Herter said that was not the case. Senator Mike Mansfield assumed that “the men around Castro were Communist”. Rubottom’s position was that it was too early to pin a communist label on the Castro movement. The JCS, Admiral Arleigh Burke, stated that “if Castro gets into power, if he is cautious he may want to slow down, but may then be a prisoner, so to speak, and the Communists then might be able to get in”.

⁴² Foreign Relations of the United States, Cuba, “Editorial Note,” *FRUS* 1958-1960, Vol. VI., Document 183.

⁴³ Eisenhower Library, Project “Clean-Up” Records, Meetings with the President.

Rubottom replied that Castro could not endure this if he tried to take over, and that the communist threat could be eliminated.⁴⁴

On 1st January 1959, Batista fled Cuba when realizing that the revolutionary movement led by Castro had the upper hand on Batista's army. On 6th January, the U.S. Embassy at Havana received a note from the Ministry of State showing:

A government headed by Dr. Urrutia had been constituted. This note adds that the Provisional Government has complete control of the Republic, that peaceful conditions have returned to Cuba...⁴⁵

Dulles assured that because the Provisional Government seemed free from communist taint, it was in the U.S. national interest to recognize "the Provisional Government of Cuba without delay".⁴⁶ The U.S. embassy in Cuba assumed that Cuba could be back to political stability under the control of the military junta but it did not happen. The fall of the Batista government meant the failure of Eisenhower's economic approach. When Castro came in, he opened a space to talk to the U.S. based on a bilateral approach.

⁴⁴ Foreign Relations of the United States, Cuba, "Memorandum of a Conference, Under Secretary of State Herter's Office, Department of State," *FRUS* 1958-1960, Vol. VI, December 31st, 1958. Rubottom assumed that Communists might be removed based on assumption that Cuba was only one of many where U.S. was having a tough time with the Communists and Argentina, Peru, Venezuela, and Uruguay are others [direct quote from the said document].

⁴⁵ Foreign Relations of the United States, Cuba, "Memorandum From the Secretary of State to the President," *FRUS* 1958-1960, Vol. VI, January 7th, 1959.

⁴⁶ *Ibid.*

Castro's Honeymoon with the U.S. and Agrarian Reform

The Eisenhower administration now prepared to seek the possibility of working with the new regime. Eisenhower confessed that by the end of 1958, he had “little choice but to accept the rebels’ triumph”.⁴⁷ The DOS was about to change Smith from his current position to another position in foreign service because Smith maintained “satisfactory relations with Batista”. The image of “Pro-Batista” would reflect adversely on recognition of the new regime. Dulles suggested that Smith leave Cuba soon, and not to discuss his personal situation with Urrutia.⁴⁸ Smith’s resignation reached Eisenhower on 10th January, and Eisenhower approved the appointment of Philip Bonsal as Ambassador to Cuba two days later.⁴⁹

According to Daniel M. Braddock, Cuban people did not oppose American people or U.S. government, but did complain against Ambassador Smith, American press, and military missions. Braddock referred to specific things against Smith, including Smith’s statement to U.S. press last January, his acceptance of Batista’s suppression of human rights, and his advocacy of the November elections as a solution to Cuban

⁴⁷ Dwight D. Eisenhower, *White House Years: Waging Peace, 1956-1961* (Heinemann Press, London, 1966), p. 521.

⁴⁸ Foreign Relations of the United States, Cuba, “Telegram From the Department of State to the Embassy in Cuba,” *FRUS* 1958-1960, Vol. VI, January 9th, 1959.

⁴⁹ Foreign Relations of the United States, Cuba, “Editorial Note,” *FRUS* 1958-1960, Vol. VI, Document 223.

conflict. Foreign Minister of Cuba, Roberto Agramonte Pichado, though was unaware that it had been as a result of Smith's proposal to appeal to Batista that constitutional guarantees were restored in January 1959, the new government was greatly pleased at the nomination of a career diplomat as new Ambassador and felt that normal good relations would be quickly re-established.⁵⁰

Castro indicated that U.S. foreign policy conducted by U.S. Ambassadors contributed to "Cuba's perennial economic troubles". Braddock postulated that Castro tried to "appeal to latent anti-Americanism of uninformed masses". Both the DOS and the Embassy considered:

Whether visit of Castro to U.S. would be beneficial to U.S.-Cuban relations and to stabilization of Cuban situation...Braddock believe[s] visit could dispel much of his suspicion and prejudice. He suggested that invitation be conveyed by Bonsal soon after arrival.⁵¹

The new government was undoubtedly in the formative stage. Although some of Castro's rebel lieutenants publicly attacked this Government and fermented anti-American sentiment, John C. Hill Jr., who was the Special Assistant to the Assistant Secretary of State for Inter-American Affairs, voiced that "no concrete action

⁵⁰ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, January 20th, 1959.

⁵¹ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, February 5th, 1959.

has been taken so far or formally proposed against the U.S. or its interests". Castro professed "an admiration for the American people and a desire for good relations, a line followed by the titular government with perhaps greater sincerity and consistency".⁵²

The U.S. policy towards Cuba was again constrained by bureaucratic tangles. It had been quite difficult for the White House to examine whether multiple objectives within the policy framework were still relevant, not to mention analysing many assumptions behind them. Allen Dulles pointed out the Communist Party in Cuba might take advantage of growing unemployment; even worse, "Castro did not have previous experience in government", and he was destined not only to liberate Cuba but to liberate all the other dictatorships. Sarell Everett Gleason said Cuba was like a partial breakdown of the machinery of government.⁵³ This is the assumption deriving from the "Cold War" narrative, which emphasizes on ideological security. However, ideological security does not often sit compatibly with economic development in Cuba.

Anderson said that some governmental officials from Cuba came to talk to him with

⁵² Foreign Relations of the United States, Cuba, "Memorandum by the Assistant Secretary of State for Inter-American Affairs' Special Assistant (Hill)," *FRUS* 1958-1960, Vol. VI, February 6th, 1959.

⁵³ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 396th Meeting of the National Security Council, Washington, February 12, 1959," *FRUS* 1958-1960, Vol. VI, February 12th, 1959.

regard to a stabilization fund. He voiced:

They apparently [officials from the new Cuban Government] wanted \$100 million for this purpose from the U.S...Anderson informed Eisenhower that a decision would have to be made in the next few days as to how far the U.S. government was going to go in support of the Castro government.⁵⁴

Dillion held the same view that “a financial blow-up in Cuba could very well lead to a blow-up of the new Cuban Government”. This was in accord with Anderson’s position.

It is quite hard to know how far we could go so as to stabilize the Cuban currency until “the Government of Cuba itself had become stabilized”, Eisenhower commented.

Anderson replied Cuban finances were not in particularly bad shape if we could rely on their figures.⁵⁵ On the other hand, he felt that the President was right as to the requirement for a stabilized government prior to a stabilized currency.

The U.S. conceptualized a “short-range position toward Cuba” after Castro became Prime Minister of Cuba on 16th February 1959. The U.S. sought to influence Castro, the radical element of the 26th of July forces and the communists. At the same time, the

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

U.S. should be careful in terms of economic assistance to Cuba.⁵⁶ As shown in the

Memorandum from Snow to Dillon, it evaluated the peso condition:

After Batista fled, the peso reserve was almost depleted, and \$60 million below the legal requirement. Cuba was in a hope to restore confidence and to maintain the parity and free convertibility of the peso.⁵⁷

Despite the fact that “the Cuban Government has introduced certain temporary emergency controls on dollar payments and other measures designed to conserve dollar exchange”, the National Bank of Cuba yearned for economic assistance from the IMF and from the U.S.⁵⁸

In the Memorandum from Snow to Dillon, it expressed the desirability to stabilize the Cuban peso in accord with Dillon’s position:

The total amount of money that the National Bank of Cuba placed was \$100 million. It has put forward the maximum standby credit possible from the IMF which was \$50 million (\$25 million new money, and \$25 million renewal), and hoped to attain a Treasury stabilization credit. Furthermore, it has indicated its intent to borrow from the commercial banks in New York and reschedule short maturities.⁵⁹

⁵⁶ Foreign Relations of the United States, Cuba, “Memorandum From the Director of the Office of Mexican and Caribbean Affairs (Wieland) to the Assistant Secretary of State for Inter-American Affairs (Rubottom),” *FRUS* 1958-1960, Vol. VI, February 19th, 1959.

⁵⁷ Foreign Relations of the United States, Cuba, “Memorandum From the Deputy Assistant Secretary of State for Inter-American Affairs (Snow) to the Under Secretary of State for Economic Affairs (Dillon),” *FRUS* 1958-1960, Vol. VI, February 20th, 1959.

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

Snow proposed to urge the U.S. Executive Director of the IMF to provide the Cuban government with “the IMF \$25 million of new money and a renewal for one year of the \$25 million standby agreement which otherwise expires in March 1959”.⁶⁰

Cuba, like most of the Latin American countries, still needed economic funds from the U.S. to sustain its economic development. U.S. economic assistance, serving as influential elements in Cuba, might work out this time. Therefore, the Eisenhower administration could reshape U.S.-Cuban relations to seek the possibility of cooperation based on a bilateral approach, and to exert U.S. influence upon Castro when he came to the U.S. by an invitation from the American Society of Newspaper Editors (ASNE) in April 1959. Although Castro’s visit to the U.S. was an informal invitation, it set a considerable precedent for a foreign Chief of government without the U.S. government issuing an invitation. Rubottom voiced that the U.S. pursued “the long-range relationships with Cuba” regardless of numerous anti-American statements Castro had made soon after the overthrow of the Batista administration.⁶¹

Rubottom came closer to reshaping U.S. foreign policy in Cuba with Bonsal. Before

⁶⁰ *Ibid.*

⁶¹ Foreign Relations of the United States, Cuba, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Acting Secretary of State,” *FRUS* 1958-1960, Vol. VI, March 12th, 1959.

Castro set off to the U.S., Bonsal said to Castro that:

the U.S. was sensitive to neutralism in Cuba's situation. Castro replied he would try to understand this issue. Moreover, Castro justified his position in recent press "freedom to lie" by the United Press International (UPI) - claiming that Cuba would support U.S. in East-West conflict.⁶²

Even though he had not yet consulted with his advisers regarding economic relations with the U.S., he thought this visit would be constructive.⁶³ Castro's statements had temporarily cleared DOS bureaucrats' doubts. There was no significant change in U.S. foreign policy in Cuba between the Castro government and Batista's government; that is to say, DOS bureaucrats still conceived that the U.S. could use economic assistance to decrease the level of anti-American sentiments in Cuba and orient Castro to take a pro-American position.

Castro's visit started from 15th April to 26th April 1959. Rubottom greeted Castro at Washington National Airport on 15th April, and asked what economic aid Castro really needed. Yet, Castro said none.⁶⁴ Nixon met Castro on 19th April in the Vice President's formal office in the Capitol. Nixon's appraisal revealed that Castro was a

⁶² Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, April 14th, 1959.

⁶³ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, April 15th, 1959.

⁶⁴ Rufo Lopez Fresquet, *My 14 Months with Castro* (Cleveland: World Publishing Co., 1966), pp. 105-109.

leader of “indefinable qualities” with the support of the majority of Cubans. Castro tried to “convince Nixon that he was not a Communist”. In a discussion of the free-enterprise system, Castro said:

He preferred socialism for Cuba. Nixon conceded that Castro had leadership but he is either incredibly naïve about Communism or under Communist discipline. Nixon chose to think he was naïve. He also thought Castro had no idea how to manage a government or direct the island’s economy.⁶⁵

The DOS made a tentative evaluation of Castro’s visit on 23rd April. This memorandum highlighted the reactive nature of foreign policy towards Latin America which indicated that Castro remained an “enigma” and the U.S. should await his decisions on “specific matters before assuming a more optimistic view than heretofore about the possibility of developing a constructive relationship with Castro.”⁶⁶ The memorandum summarized the following points:

- (a) Castro’s frankness and sincerity lessened lots of criticism against him in the general press and public.
- (b) Though Castro had indicated that Cuba would support the U.S. in East-West conflict, he did not go sufficiently far in his declarations to be vulnerable to the criticism of the radicals among his supporters. There is a degree of uncertainty over his future course when Castro returns to Cuba.
- (c) Agrarian reform was the focus point of social development in Cuba. Castro noticed that this policy may adversely affect certain American-owned properties in Cuba. U.S. government may also have increased difficulties regarding the U.S. government-owned Nicaro Nickel Plant. However, Castro had no desire to create any problems in terms of the U.S. naval base in

⁶⁵ Gellman, *op. cit.*, p. 546.

⁶⁶ Foreign Relations of the United States, Cuba, “Memorandum Prepared in the Department of State,” *FRUS* 1958-1960, Vol. VI, April 23rd, 1959.

Guantanamo.

(d) Castro's speeches and statements have shown that he was much concerned with ends than means; what's more, his idea of law and legality was not identical to that of U.S. citizens. His notion of democracy derives simply from the roar of mass audiences.⁶⁷

During Castro's visit, he did not refer to economic assistance or Cuba's sugar exports to the U.S., which were regulated by an import quota. This had weakened U.S. ingrained belief to use economic assistance to influence Cuba. The failure of Eisenhower's economic foreign policy meant the failure of the political attempt to reshape U.S. foreign policy in Cuba. Economic non-cooperation would gradually escalate into political confrontation. Upon Castro's return on 8th May, he made a public statement to the crowds:

Revolution neither capitalist, Communist nor center, but rather step in advance of all. Said current world conflict was between concept which offered people democracy and starved them to death, and concept which offered food but suppressed liberties. Cuban solution was to promote all rights of mankind, including social rights. Only ideas which satisfy both material and spiritual needs of mankind will prosper.⁶⁸

In Castro's political philosophy, his ideas have articulated the latent tension between democracy and capitalism. As a socialist, Castro's social development seems to combine "negative liberty" and "positive liberty" - concepts put forward by Isaiah

⁶⁷ *Ibid.*

⁶⁸ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, May 11th, 1959.

Berlin. By positive liberty, Castro had got his leadership to determine Cuba's future, while negative liberty should be regarded as an end. The final goal of the Cuban Revolution was to build a socialist society, based upon the ideas of economic, social, and cultural equality for all Cuban citizens. In Castro's understanding, liberty could be defined as the freedom to improve Cuba materially and spiritually; in other words, being free may probably improve Cubans, individually and as a society. It would be precious even if it did not achieve an end.⁶⁹

Castro became much more radical in the light of social development in Cuba. An Agrarian Reform Law issued on 17th May expropriated farmlands of over 1,000 acres, with no specific compensation for U.S. private investors in Cuba. According to the *FRUS* document, it revealed that "the expropriated land would be either run by the new Institute of Agrarian Reform (INRA) or to be distributed as individual holdings of 67 acres".⁷⁰ The law had given cause for economic concern (sugar supply from Cuba). Some of the expropriated properties like sugar companies could continue to operate the sugar plantations. Ernesto Dihigo, who was Cuban ambassador to the U.S. in 1959, reaffirmed that:

⁶⁹ Theodore L. Putterman, "Berlin's Two Concepts of Liberty: A Reassessment and Revision," *Polity*, Vol.38, No. 3 (Jul., 2006), pp. 417-418.

⁷⁰ Foreign Relations of the United States, Cuba, "Editorial Note," *FRUS* 1958-1960, Vol. VI, Document 306.

the law is not in final form, and accordingly, it refers nothing in relation to compensation. In any case, he was confident that this measure will in no way endanger the ability of Cuba to supply its quota in the U.S. sugar market.⁷¹

Aftermath of the Agrarian Reform Law

To what degree would the impact of the Agrarian Reform Law affect the sugar supply?

Every related agency in the U.S. may have an explicit mission statement that seeks to interpret mandates into its own terms. It is apparently true when the broad goals conflict or offer little operational guidance. Morton Halperin adds the concept of organizational essence, defined as “the view held by the dominant group in the organization of what the missions and capabilities should be”.⁷² This section is going to construct that there is competition between the DOS and the Secretary of Agriculture (SOA) in terms of governmental attitude towards the affect upon the Agrarian Reform Law.

The SOA held different views from those of the DOS. The SOA wanted to make sure whether there would be sufficient supply for the U.S. market; however, its only concern was to extend the Sugar Act during the current session of Congress,

⁷¹ Foreign Relations of the United States, Cuba, “Memorandum of a Conversation, Department of State, Washington,” *FRUS* 1958-1960, Vol. VI, May 27th, 1959.

⁷² Morton H. Halperin, *Bureaucratic Politics and Foreign Policy* (Washington, DC: Brookings Institution, 1974), p. 28.

regardless of recent radical agrarian reform in Cuba. The Agricultural organization assumed that:

the Agrarian Reform Law might reduce sugar production to such an extent that Cuba will be unable to meet its quota for the U.S. market after 1960. Plan should therefore be made now to meet such a contingency by amending the Sugar Act to give the Administrator discretionary authority to adjust quotas when necessary to assure an adequate supply for the U.S. market.⁷³

The DOS did not expect the Act extended without change at the present time because the extension of the Sugar Act would be interpreted by Castro as justification of the Land Reform Law that possibly convinced Castro of U.S. inaction on expropriation of U.S. properties through Cuba's sugar quota. Hence, the DOS expected "to keep the question open to provide leverage in obtaining amendments to the land reform proposals".⁷⁴ The DOS tried to allay any rising doubts in the SOA claiming that if "the land reform measures impaired Cuba's ability to fill its quota", the U.S. could get sugar elsewhere. Therefore, the DOS could not recommend action this year on the Sugar Act; instead, it viewed the extension of sugar as a political leverage to influence Cuba.⁷⁵

⁷³ Foreign Relations of the United States, Cuba, "Memorandum of a Conversation, Washington," *FRUS* 1958-1960, Vol. VI, June 1st, 1959.

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

The SOA was quite “surprised that the DOS favored deferral of action until next year as there is little flexibility in the present law”. It has been standard operating procedures (SOPs) of the SOA to extend the law with a year’s lead time, although sugar legislation did not expire until January 1st, 1961. This is so because the “production cycle for sugar cane is 18 months at a minimum”. Mann’s office strongly argued that it saw no issue in relation to the Sugar Act if put forward to next year. The

White House needed to:

maintain a strong bargaining position vis-à-vis Cuba and sugar is the point at which Cuba is most vulnerable...the SOA simply wanted the question faced realistically, and if action were to be deferred, it wanted it recognized that the decision rested on foreign policy considerations.⁷⁶

On 4th June, the DOS’s position was being constructed - the extension of Sugar Act should not be considered until the effect of the Agrarian Reform Law on Cuban sugar producers was clarified. Finally, the SOA concurred with the DOS. The Agrarian Reform Law had given serious concern to the DOS with relation to the adequacy of the provision for compensation. The U.S. recognized that under international law a state had the right to take property within its jurisdiction for public purposes but the accompanying obligation was effective compensation. Before Castro’s regime, the right of private investment was written in the Cuban Constitution of 1940 providing

⁷⁶ *Ibid.*

that should property be expropriated by the state, there must be prior payment of the proper indemnification in cash, in the amount judicially determined.⁷⁷

When confronted with conflicting goals or orders, organizations prioritize them and define the trade-off. The DOS was quite satisfied with the information provided by the U.S. embassy in Cuba. On 12th June, the telegram referred to two concerns following the Agrarian Reform Law: (a) Possible decrease in sugar production to assure adequate supply for the U.S. market; (b) Compensation for expropriated properties.⁷⁸ First, Bonsal explained to Castro about “lifting restrictions on sugar quota in US” previously considered as a reaction to the Agrarian Reform Law but also reassured regarding Cuba’s ability “to supply 8 million tons of sugar in 1961”.⁷⁹ Second, on the issue of compensation, Castro indicated government’s inability to “pay promptly in cash unless it could reach some financial arrangement with U.S.” Since the Reform Law would come into effect next year, Cuba at present would not split over “20, 30 or 40 million pesos in total amount”. Castro believed that both sides could negotiate issues as they arose.⁸⁰

⁷⁷ *Department of State Bulletin*, June 29, 1959, p. 958. The contents were dated to June 11th.

⁷⁸ Foreign Relations of the United States, Cuba, “Telegram From the Embassy in Cuba to the Department of State,” *FRUS* 1958-1960, Vol. VI, June 12th, 1959.

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

In dealing with two implications of the Agrarian Reform Law, the DOS undoubtedly emphasized subsequent compensation rather than the extension of sugar. The extension of sugar would be used as a political tactic to influence Castro so the DOS advocated deferral of action until next year. Organizations are likely to be inclined to emphasize, in policy operation, the objectives most congruent to their special capacities and to the hierarchies of beliefs in the organization's culture. Allison and Zelikow stated that:

If conflicting goals both accord with the organization's capacities and culture, the incompatible constraints tend to be addressed sequentially, the organization satisfying one while deferring another.⁸¹

The Office of Inter-American Regional Economic Affairs made an assessment on the Cuban economy. This memorandum has shown that:

the balance of payments deficit in Cuba has been reaching at roughly \$100 million per annum for some years. There would be added about \$75 million (\$50 million in sugar income owing to lower prices and \$25 million each for the loss of tourist income and foreign capital investment).⁸²

From its estimate, this figure might have reached \$200 million by the second half of 1959. Castro might try to reverse the situation by pouring in his \$80 million of reserves. But, this was unlikely to happen. Therefore, Castro would need to control

⁸¹ Allison and Zelikow, *op. cit.*, p. 177.

⁸² Foreign Relations of the United States, Cuba, "Memorandum by the Director of the Office of Inter-American Regional Economic Affairs (Turkel)," *FRUS* 1958-1960, Vol. VI, July 1st, 1959.

the deficit effectively. If Castro could survive, the national economy was still shaky.

Castro might be taken over when “(a) the monetary reserves are exhausted, and (b)

the price of the country’s major export is very low”.⁸³

The organization suggested that the U.S. not make a balance of payments loan to

Castro, nor should it seek means of financial pressure. As for the cut of sugar quota, it

should be examined further. It summarized some general arguments not to seek

authority to cut the Cuban quota that year:

(a) It will rally nearly all Cubans behind Castro. Our experience in 1947 with the Sugar Act of 1948 proves this point.

(b) If a cut in the Cuban quota is made, the new order of reallocation would be domestic industry, Philippines, Mexico, Peru and Central America. The U.S. would need to take six million Cubans into consideration even after Castro is gone.

(c) Using the quota systems for economic sanctions is not suggested as Article 16 of OAS Charter 4 provides that no State may use coercive measures of an economic character to force the sovereign will of another State.⁸⁴

Furthermore, if Castro became even more communist-oriented or approached closer to

anti-Americanism, the organization would be in the same position as the DOS. On

condition that the Soviets tended to take advantage of the strained U.S.-Cuban relations,

the U.S. would consider it intolerable, and apply the sanction envisaged for a

communist-influenced Cuba. If Russia started to contact Cuba on a trade mission after

⁸³ *Ibid.*

⁸⁴ *Ibid.*

the passage of sugar legislation in 1960, the U.S. would apply economic sanctions through special legislation.⁸⁵ Still, the U.S. tried to orient Castro to take a pro-American position, and thereby to improve U.S.-Cuban relations.

From mid-July to mid-October, it was believed that U.S.-Cuban relations should be developed but the U.S. should avoid long-range commitments. U.S.-Cuban relations would still be limited to short-term consultation projects in fields like technical assistance.⁸⁶ Adequate provision for compensation and expropriated American property continued to be of major concern to the U.S. business disputes arising from private investment in Latin America revived the application of the Calvo Doctrine, which placed foreigners on an equal footing with Latin American nationals by providing that foreigners could seek legal assistance in the country where the investment was located. These kinds of business disputes have not been resolved for quite a long time.

⁸⁵ *Ibid.*

⁸⁶ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, July 24th, 1959.

While Cuba's approach to the power of State entities was extended to arbitration agreements, the right to arbitrate was still subject to certain limitations. Bonsal discussed the right of arbitration with Felipe Pazos, alleging that:

INRA provincial representatives had taken certain actions against American properties that seemed arbitrary and extralegal. Pazos replied that same thing had been experienced by many Cubans and showed no sympathy for this kind of action by INRA.⁸⁷

In Pazos' understanding, he believed that U.S. private investments were treated as equally as Cuban nationals'. Pazos said his Government would make reasonable evaluation of American properties. Based on previous precedent, the Cuban Government would pay American owners in dollar bonds.⁸⁸ Perhaps the most important of all was that there could be a conflict between the procedural provisions of an applicable bilateral investment treaty and the jurisdictional provisions in the contract or even the immaturity of legal justice in Cuba.

The bilateral approach that the U.S. used could not fundamentally improve U.S.-Cuban relations. The recurrence of economic disputes arising from private investment would invoke wider discussion of the "Calvo Doctrine"; more specifically,

⁸⁷ Foreign Relations of the United States, Cuba, "Telegram From the Embassy in Cuba to the Department of State," *FRUS* 1958-1960, Vol. VI, October 13th, 1959.

⁸⁸ *Ibid.*, Pazos also urged Bonsal to submit memoranda to discuss cases like Cuban American Sugar Mills Co., Francesco Co. and Cuba Colonial Land Co.

dispute about arbitration might evolve into political and economic conflict. Other than that, the DOS wished that compensation for the expropriated property should be paid in cash, while Cuba lacked resources to pay promptly in cash. Based on this point, the U.S. would need to seek a compromise between demand for cash payment of aid value and the Cuban proposal of 20-year bonds based on municipal tax registrations. That explained the current policy was not able to deal with the political and economic issues in Cuba. The U.S. would have to revise its policy and change its attitude towards Cuba.

Disillusion of Honeymoon: Changing Attitude toward Castro

The Castro government was not consistent with the minimal requirements of the current U.S. policy, and with U.S. objectives for Cuba. Apparently, Castro's present course was in opposition to most Latin American countries. Rubottom stated that the U.S. gave Castro "every opportunity to modify his attitudes and policies" if he wished to maintain harmonious U.S.-Cuban relations. However, Castro failed to do so. It was indeed Castro's economic policies which raised additional problems in U.S.-Cuban relations. If Cuba's statist and nationalist orientation was adopted by other Latin American countries, that would eventually weaken U.S. economic policies and objectives towards Latin America. The U.S. urged that the "Castro government meet

at least minimally the objectives and standards indicated in the OCB Regional Operations Plan for Latin America”.⁸⁹

In the policy assessment, the U.S. conceived of a change in the Cuban regime. The U.S. must avoid any implication of overt opposition in order to achieve this objective; for that reason, the U.S. would encourage and coalesce oppositional forces - presently or potentially acceptable to the Cuban people - to undermine the Castro regime. The oppositional elements both within and without Cuba should be encouraged, but in case of conflict, the U.S. tended to encourage opposition outside of the Castro regime with a view towards “a step-by-step development of coherent opposition”.⁹⁰ The policy objective was to sabotage Castro’s regime but the political and economic tensions between the U.S. and Cuba diverted U.S. bureaucrats to using a different method to achieve it. More specifically, there was no clear connection between method and objective in NSC general policy. Policy implementation, in consequence, would be slightly different in method chosen by U.S. bureaucrats to achieve the objective.

⁸⁹ Foreign Relations of the United States, Cuba, “Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Under Secretary of State for Political Affairs (Murphy),” *FRUS* 1958-1960, Vol. VI, October 23rd, 1959.

⁹⁰ *Ibid.*

In the decision-making process, this might divide policy operation into different sectors so as to attain the objective. In the diplomatic domain, Herter pressed international cooperation that facilitated a cooperation process with Selwyn Lloyd, who was U.K. Foreign Secretary. Herter stated that “the U.S. cooperated with some left-wing governments in Latin American countries like Bolivia and Venezuela” but neither of them fell in Cuba’s case. The U.S. has sought, since Castro came to power, to exercise the greatest restraint in the face of provocation and to take a position as sympathetic as possible to Cuba. In the past, “the U.S. was willing, even anxious, to cooperate with Castro had he set out on a genuine reform program within the framework of good relations with the U.S. and the Free World”.⁹¹ Selwyn replied “the Western Bloc confronted with another Guatemalan situation in a far less favourable climate of opinion”.⁹²

Herter thenceforth changed his friendly attitude towards Cuba. He briefed a statement to Eisenhower with regard to agencies concerned with the implementation of U.S. policy in Cuba, and also to the American Ambassador in Havana. For the past ten months, the DOS applied a series of tests to the Castro regime. The conclusion was

⁹¹ Foreign Relations of the United States, Cuba, “Letter From Secretary of State Herter to Foreign Secretary Lloyd,” *FRUS* 1958-1960, Vol. VI, November 4th, 1959.

⁹² Foreign Relations of the United States, Cuba, “Letter From Foreign Secretary Lloyd to Secretary of State Herter,” *FRUS* 1958-1960, Vol. VI, November 12th, 1959.

that Castro would not voluntarily modify policies and attitudes consistent with minimum U.S. security requirements and policy interests:

- (a) Castro manipulated anti-American sentiments, and conflated them on nationalism. This, if emulated by other Latin American countries, would have serious adverse effects on Free World support of our leadership, especially in the U.N. on such issues as the Chinese representation problem.
- (b) Castro tolerated the growth of Communists in governmental institutions, the armed forces, and organized labor. The international Communist apparatus has made clear in Moscow last January that it saw in the advance of Castroism the best chance of achieving its immediate objectives.
- (c) Castro apparently took state control of the economic life of Cuba. U.S. private interests in Cuba would be endangered; what's more, Cuba's policy would obstruct the basic proposition to promote private investment in Latin America.⁹³

U.S. foreign policy towards Cuba was one of non-intervention policy, and how could the U.S. build in incentive to decrease Castro's increasing influence? Communism, serving as an ideological imperative, operated simultaneously with a reductionist understanding of the world eventually suggests "appropriate ways of dealing with...reality".⁹⁴ Bonsal grafted ideology onto U.S. foreign policy. Pursuant to Bonsal's statement in his Memorandum, he removed ideology from foreign policy:

There was no real awareness of the issues of the East-West struggle even on part Minister of State. Anti-communism considered merely a weapon of U.S. reactionaries forged in time of McCarthy hysteria...Continuous accusations of communism played into hands of communists and extremists help them to

⁹³ Foreign Relations of the United States, Cuba, "Memorandum From the Secretary of State to the President," *FRUS* 1958-1960, Vol. VI, November 5th, 1959.

⁹⁴ Ryan, *op. cit.*, p. 11.

control and influence Castro.⁹⁵

National Socialism was not associated with communism but with Nazism. Firstly, Marxism-Leninism was described by Castro as a natural outlet for economic development, political power, and social progress. The merit associating National Socialism with communism was that both of them would not be able to separate totalitarian implications; that is, National Socialism and communism tended to use state control and centralized decision-making. Secondly, socialism was characterized as the more powerful sway of nationalism over communist ideology in forging allegiances of people in the developing countries. Marked by anti-colonialism and anti-imperialism features, it was indeed a vital force to disengage military and economic dependence from the Western Bloc. As a result, the USSR tried to “ride the tides, and cooperate with leaders in the Third World”.⁹⁶

Certainly, the USSR was also labelled as “imperialism” in the eye of Castro’s National Socialism. Judging from the point, the USSR would not identify itself with Castro’s policy in the beginning and that is why Mikoyan decided not to go to Cuba at

⁹⁵ Foreign Relations of the United States, Cuba, “Telegram From the Embassy in Cuba to the Department of State,” *FRUS* 1958-1960, Vol. VI, November 6th, 1959.

⁹⁶ Duncan, *op. cit.*, p. 105.

first.⁹⁷ Mikoyan did not wish to give additional credence to the view that the people around Castro had communist affiliations. The closer ties were accentuated by Cuba's move to the Afro-Asian Bloc known as nonaligned nations. The United Arab Republic was promoting the sale of cotton to Cuba, and Cuba was ready to suggest a conference of twenty-eight underdeveloped countries. The indications showed Cuba's potential attempt to move closer to the Sino-Soviet Bloc. By virtue of this tide, the Soviet exhibit would soon be moved from Mexico to Havana and Rojas plans to go to Communist China in January.⁹⁸

Nixon no longer believed that "Cuba should be handled in a routine fashion through normal diplomatic channels". Cuba's case required more efforts to coordinate policy, and further Congress would be involved in. Gordon Gray, who was the National Security Advisor, also disagreed with the current basic approach to the Cuban problem.⁹⁹ By the end of 1959, the Eisenhower administration eventually changed U.S. attitude towards Cuba since Castro's radical change in the policy with anti-Americanism not only destroyed U.S. private investment throughout the

⁹⁷ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 426th Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, December 1st, 1959.

⁹⁸ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 429th Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, December 16th, 1959.

⁹⁹ *Ibid.*

hemisphere but also mocked the U.S. leadership. At that moment, the U.S. foreign policy towards Cuba should not be limited by the DOS approach but be broadened by more efforts from different organizations.

Deputy Director of the Central Intelligence Agency, Charles Pearre Cabell, proposed to increase covert and semi-covert programs aimed at Castro - psychological warfare, political action, economic action, and paramilitary action, all of which had been conducted in some degree during the past year. The DOS worked hand in hand with the CIA on U.S. courses of action related to Cuba. The objective being pursued was to modify U.S. policy implementation in order to accelerate the development of an opposition in Cuba.¹⁰⁰

In doing so, Castro's downfall would seem to be the result of his own mistakes, leading to a new government favourable to U.S. interests. The DOS embraced the change of the Cuban government but it did not explicitly go for the overthrow of Castro. Allen Dulles commented that:

the Special Group 5412 on covert operations was different from the responsibilities of the President's Foreign Intelligence Advisory Board (PFIAB). If the Board of Consultants, like Congress, was going to get involved in the details of covert action, that would be an infringement of

¹⁰⁰ CIA Historical Review Program Release as Sanitized, "Evolution of CIA's Anti-Castro Policies 1959-January 1961," *CIA History Staff* 1959-1961, Vol. III, p.15, p. 31.

President's prerogative as Commander-in-Chief.¹⁰¹

The anti-Castro activity discussions punctuated demarcation between the Special Group 5412 and other agencies. For the former, Allen Dulles stressed contingency planning should be undertaken by the Special Group 5412, without necessarily involving either the President or the NSC. For the latter, the DOS was concerned whether the political situation would be worse if Castro was deposed. Castro's successors might be Che Guevara or Raul Castro. At one 5412 Committee, Gray stated that this was a prelude to the Bay of Pigs Operation. The U.S. would use the OAS and UN as "the myth of plausible deniability overruled common sense" in case of a leak.¹⁰² In a CIA meeting of 21st January 1960, J.C. King identified potential leaders like Ramon Barquin, Justo Carrillo, and Miro Cardona (who would finally head up the principal anti-Castro activities supported by the Agency).¹⁰³

Cuba successfully reduced the level of economic dependence on the sugar market.

¹⁰¹ *Ibid.*

¹⁰² *Ibid.*, pp. 42-44. Eisenhower had directive to use covert operation to combat the USSR and Communist China. For the interests of world peace and U.S. national security, the overt foreign activities of the U.S. Government should be supplemented by covert operations. During Eisenhower's administration, the Operations Coordinating Board was the normal channel for securing coordination of support among the DOS and Defense as well as CIA, enclosed on 15th March 1954 in NSC 5412. NSC 5412/2 rescinded NSC 10/2, NSC 10/5, NSC 5412, and NSC 5412/1.

¹⁰³ *Ibid.*

According to the Memorandum of Discussion at the 432d Meeting, Cuba provided Bloc customers with discounts which made the sugar price fall below the world price. The falling sugar price was deemed crucial for the USSR to promote the USSR exhibit from Mexico City to Havana in February.¹⁰⁴ Allen Dulles concluded his briefing in the Memorandum of Discussion at the 433d Meeting:

the Soviet exhibit would move from Mexico City and open in Havana about January 30. It was believed that Mikoyan would open the Soviet exhibit...[Dulles] discovered that the Soviet and Cuban embassies in Mexico City were in close contact, probably laying the groundwork for the resumption of diplomatic relations between the two countries...The USSR would not only extend a credit of \$5–6 million to Cuba but also expand trade with Cuba.¹⁰⁵

Cuba's trade relations with the Soviet Union highlighted U.S.-Cuban conflict through external assistance. This had totally reversed Cuba's status in the Inter-American system as a puppet state of the U.S.

Mikoyan's Visit to Cuba on Trade Mission

Mikoyan's visit to offer trade and aid assistance to Cuba epitomized the implication imposed by the SEO. With the Soviet's assistance in political and economic fields, Castro was described as the espousal of the Soviet communism. This event also

¹⁰⁴ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 432d Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, January 14th, 1960.

¹⁰⁵ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 433d Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, January 21st, 1960.

presented a shift in Soviet foreign policy towards Cuba from cautious attitude to active support. Not only did the Soviet expand trade and aid assistance to Cuba but it provided potential military assistance to Cuba. Overall, it was indeed a diplomatic breakthrough for the Soviet in the Cold War narrative. Mikoyan's move, which accurately deteriorated U.S.-Cuban relations, pushed the U.S. to take stronger economic sanctions against Cuba and to please other Latin American countries with more aid.

As far as trade and aid was concerned, the new trade agreement required the USSR to buy approximately 5,000,000 tons of Cuban sugar over the next five years, one-fifth of which was to be paid for in cash. Cuba also agreed to take Soviet goods which would constitute ten per cent of Cuban foreign trade. In 1960, the USSR would be taking nearly 17% of Cuba's sugar export. The 100 million economic aid credit was to be supplied in the form of agricultural equipment and industrial machinery during the next five years. Soviet technicians would also be supplied under the credit.¹⁰⁶ This meant that the U.S. would not be the only country that could dominate Cuba's sugar industry. Moreover, Cuba would not need to acquire standby credit available from the IMF.

¹⁰⁶ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 435th Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, February 18th, 1960.

Second, despite no mention of arms in an official communique, Mikoyan expressed Soviet readiness to supply military aircraft if requested. Castro turned to the USSR for help because he did not succeed in buying aircraft from the Western Bloc. Having said that, Mikoyan only “decided to provide guns and planes”.¹⁰⁷ Mikoyan’s visit intensified political, economic, and military contacts with Cuba that was indeed the extension of the SEO in 1956. Even though the U.S. had a trade agreement with Cuba on a bilateral basis, the U.S. could not prevent Cuba from doing business with the USSR. Castro positively destabilized U.S.-Cuban relations by introducing international communism into the Inter-American system.

Cuba’s cooperation with the USSR triggered off a rethinking of the U.S. bilateral approach to Latin America; that is, there was a fundamental clash between the U.S. and Latin America. Values like democracy, political beliefs, economic freedom, and social customs were dictated within the narrative of the Cold War. However, Castro succeeded in challenging the U.S. bilateral and multilateral approach against Cuba. This would contribute to short-term cooperation between the nonaligned nations, the Western Bloc and the Eastern Bloc. Castro was a continuing threat to the U.S. based on bilateral and multilateral approaches. On 8th March 1960, the Planning Board

¹⁰⁷ *Ibid.*

prioritized U.S. interests in Cuba: “(a) Denial of Cuba to the influence and control of hostile interests; (b) The Guantanamo naval base; (c) Encouragement of other revolutionary groups; (d) Safety of U.S. citizens; (e) U.S. business interests”.¹⁰⁸

The Board had very clear objectives in terms of U.S. interests but Cuba-Soviet Union relations were more than that. Cuba established diplomatic ties with Moscow, and one Soviet tanker had already unloaded fuel oil in Cuba. Cuba also provided the so-called strategic access for Soviet crude oil. Most U.S. petroleum companies in Cuba would be asked to process Soviet crude oil.¹⁰⁹ According to Herter, he said “Venezuelan oil had been refined by oil refineries in Cuba under a compromise arrangement enabling them to obtain enough dollars to purchase such oil”. The Cuban Government required that “the oil companies refine more Soviet petroleum”. They might be confiscated by the Cuban Government if they refused to do so. Herter urged that this government had to be careful about the advice it gave the refineries.¹¹⁰

Tex Brewer, who was the Standard Oil of New Jersey representative, analysed that

¹⁰⁸ Foreign Relations of the United States, Cuba, “the Planning Board of the National Security Council,” *FRUS* 1958-1960, Vol. VI, March 8th, 1960.

¹⁰⁹ Foreign Relations of the United States, Cuba, “Memorandum of Discussion at the 442d Meeting of the National Security Council,” *FRUS* 1958-1960, Vol. VI, April 28th, 1960.

¹¹⁰ Foreign Relations of the United States, Cuba, “Memorandum of Discussion at the 445th Meeting of the National Security Council,” *FRUS* 1958-1960, Vol. VI, May 24th, 1960.

there were three oil refineries in Cuba: Esso (American), Texaco (American), and Shell (British-Dutch). The Soviet crude oil was a case that definitely encompassed the wider issue of the political/economic principle down to economic sovereignty in Cuba. Brewer defended that “the U.S. government would take no stand in the matter; it would be inevitable to refine the Russian crude as desired by the Cuban Government”.¹¹¹ Anderson, Mann, and Barnes made a statement:

- (a) Refusing to refine Russian crude in Cuba.
- (b) The U.S. companies under an agreement to a refusal would not violate the U.S. anti-trust laws.
- (c) That if the Cuban government were to intervene one of the American refineries to handle Russian crude, leaving the other to refine its own crude from its own sources, U.S. government would agree that the latter, without incurring any consequences from U.S. anti-trust laws, could refuse to furnish any more crude from its own sources.¹¹²

Important among these was that the DOS now imposed domestic law on the foreign policy domain to conduct the behaviours of U.S. oil refineries in Cuba. The statement imposed would force U.S. refineries not to refine the Russian crude; as a result, the Cuban government would have no choice but to refine crude from Russia in one way or another. If the decision resulted in potential expropriation on U.S. refineries in

¹¹¹ Foreign Relations of the United States, Cuba, “Letter From the Ambassador in Cuba (Bonsal) to the Assistant Secretary of State for Inter-American Affairs (Rubottom),” *FRUS* 1958-1960, Vol. VI, June 6th, 1960.

¹¹² *Ibid.*

Cuba, the U.S. government would support them for the proper compensation.¹¹³ The Mikoyan-Castro pledge of cooperation in political, economic or military areas had intensified over the previous three months. Castro's involvement with communism was the greatest clarity.

Esso, Texaco, and also British Shell had already decided not to process Soviet crude oil which incurred expropriation of oil refineries in late June. The U.S. government vigorously protested the Cuban government in issuing the orders to these companies to refine such crude oil and for intervening in the companies thereafter.¹¹⁴ The intensification of contact was enhanced by Khrushchev's agreement to visit Cuba intended on 26th July. Dillon claimed that the U.S. should use the sugar legislation as a tool of economic sanction against Cuba. On 6th July, Eisenhower approved "a reduction of 700,000 short tons from the original Cuban quota of 3,119,655 short tons".¹¹⁵ On 11th July, Khrushchev placed an early solution to the Cuban problem claiming that Soviet missiles could reach the U.S. in the event of "aggression" against Cuba. This has been by far the most serious challenge to the Inter-American

¹¹³ Foreign Relations of the United States, Cuba, "Memorandum From the Assistant Secretary of State for Inter-American Affairs (Rubottom) to the Secretary of State," *FRUS* 1958-1960, Vol. VI, June 6th, 1960.

¹¹⁴ *Department of State Bulletin*, July 25, 1960, p. 141.

¹¹⁵ Foreign Relations of the United States, Cuba, "Memorandum of Discussion at the 447th Meeting of the National Security Council," *FRUS* 1958-1960, Vol. VI, June 8th, 1960.

System.¹¹⁶

The political and economic disputes escalated from bilateralism to multilateralism. Although the Cuban government appealed to the United Nations Security Council, it refused to consider Cuba's case at least until the OAS had considered the Cuban situation. At that point, the U.S. was supposed to get the support of the Latin American government in its economic disputes with Cuba.¹¹⁷ It was indeed the leftward trend in Cuba which fermented instability within the hemisphere. This could be curbed by the increase of social development projects suggested by Eisenhower during his trip to Brazil in June. The "Operation Pan America" was envisaged, and gradually realized. It was called "the Act of Bogotá". In a letter to Kubitschek, Eisenhower perceived that:

the U.S. could make some efforts to promote the unfulfilled requests by Latin America at the Buenos Aires Conference could be promoted. Among all, the Inter-American Development Bank was the most encouraging.¹¹⁸

On 11th July, Eisenhower affirmed U.S. sympathy with Latin American aspirations

¹¹⁶ Foreign Relations of the United States, Cuba, "Circular Telegram From the Department of State to Certain Diplomatic Missions in the American Republics," *FRUS* 1958-1960, Vol. VI, July 11th, 1960.

¹¹⁷ Foreign Relations of the United States, Cuba, "Telegram From the Department of State to the Mission at the United Nations," *FRUS* 1958-1960, Vol. VI, July 8th, 1960.

¹¹⁸ Foreign Relations of the United States, Cuba, "Letter From President Eisenhower to President Kubitschek," *FRUS* 1958-1960, Vol. VI, July 8th, 1960.

for social and economic progress and declared his intention to seek funds from Congress to assist the countries of Latin America to develop their nations and achieve better lives. The President referred to “matters of supreme gravity in the Caribbean area; matters that invoke a challenge to the American community”. Willard L. Beaulac explained that the principal matter of supreme gravity was the Castro matter. On 8th September:

Congress authorized the extension of \$500 million to establish a special inter-American social development fund to be administered by the Inter-American Development Bank. Now, soft loans for social development would be extended for social development in Latin America.¹¹⁹

The Act of Bogotá served as a method to influence other Latin American countries, and at that point, Castro would feel isolated within the OAS. On 13th September, the Committee approved the Act of Bogotá which contained various recommendations for economic and social development by a vote of 19 to 1 (Cuba). The result convinced:

Latin Americans can achieve a better life only within the democratic system, renew their faith in the essential values which lie at the base of Western civilization, and re-affirm their determination to assure the fullest measure of well-being to the people of the Americas under conditions of freedom and respect for the supreme dignity of the individual.¹²⁰

The creation of the Inter-American Development Bank was the last marginal

¹¹⁹ Willard L. Beaulac, *A Diplomat Looks at Aid to Latin America* (Illinois: Southern Illinois University Press, 1970), pp. 18-21.

¹²⁰ Foreign Relations of the United States, Cuba, “Editorial Note,” *FRUS* 1958-1960, Vol. VI., 580.

modification during Eisenhower's administration for the purpose of fermenting Anti-Castroism within the Inter-American System.

Overall Assessment on U.S. Foreign Policy from 1958 to 1960

Eisenhower's foreign policy toward Cuba failed because Eisenhower did not really associate moral imperatives upon any claimant. Before the rise of Castro to power on 1st January 1959, the U.S. foreign policy was dominated by the U.S. ambassador, Smith. He was the key influential figure who sometimes presented more important than the Cuban president. Eisenhower's constant support of military dictators indicated that Eisenhower's policy was scant of great understanding for Latin American nationalism.

Some bureaucrats in the DOS, like Herter, Anderson, Bonsal and Rubottom, tried to orientate Castro's attitude by offering some economic assistance to Cuba. Still, they did not propose any concrete plan if Castro did not accept the offer or not even appreciate it. It delineated the reactive nature of foreign policy towards Latin America; U.S. foreign policy was often half a beat on the tone. In consequence, it is fair to say that U.S. foreign policy towards Cuba was based on a short-term basis rather than a long-term basis. It was not until Castro's promulgation of an agrarian reform on 17th

May 1959 that U.S. organizations studied the implications of the law. This law indeed tightened U.S.-Cuban relations but strengthened Cuba's position on economic sovereignty.

This law not only presented a possible decrease in sugar production and compensation for expropriated properties but also incurred the right to arbitrate before the new law took effect. The DOS wished to delink the connection between the Agrarian Reform Law, and the extension of sugar. It decided to use the sugar issue as an economic sanction if Castro was being more and more communist-influenced. Although the tactics adopted by the U.S. government were determined under the influence of what were perceived as continuing threats, the U.S. objective in Cuba was clear - a change in the Cuban regime. A syndrome of irregularity in non-intervention policy was used to describe the inability of the DOS's approach to attain U.S. objectives in Cuba.

The fundamental problem with U.S. foreign policy towards Latin America seldom reflected some of the variety of interests that fed into most Latin American countries. During the Caracas Conference in 1954, Latin American countries' main concern was to envisage an inter-American bank but their requests were not met even after the Buenos Aires Conference. The remaining issues like the increase of public funds, and

the economic integration recurred to Eisenhower in September 1960. Cuba was a stimulus for the U.S. to provide more public capital for other Latin American countries with a view to isolating Cuba.

This analysis might help one toward a clearer view of change in the future. In October 1959, the U.S. changed its friendly attitude towards Cuba. Most U.S. bureaucrats believed that the U.S. foreign policy towards Cuba should be broadened by more efforts from different organizations. Thus, the U.S. foreign policy towards Cuba was not simply conducted by the DOS but by the OCB. Its methods now included diplomatic, paramilitary, and economic tactics to curb the influence of Castro. The tactics employed by the Eisenhower administration towards Latin America differed in degree from each organization. The DOS wanted to employ political or economic pressure to speed up the downfall of the Castro regime, while the CIA fancied paramilitary action to overthrow Castro.

These efforts were identically realized when Mikoyan visited Cuba on a trade mission to offer trade and aid assistance to Cuba on 17th February 1960. In March, the CIA began its covert campaign against Castro, and the DOS began to get support from the OAS members to recognize Cuba as a continuing threat within the Inter-American

System. Cuba expropriated U.S. oil refineries in late June 1960. Eisenhower cut about 700,000 short tons of sugar quota. Cuba was a stimulus for bringing the bilateral approach to the multilateral approach. The U.S. tried to influence other Latin American countries via the inflow of more public funds, and hopefully, they could support the U.S. position against Cuba.

U.S.-Latin American policy emerged from interplay of many actors but this did not mean that U.S. interests matched most Latin American interests. Within the emergence of Castro, Cuba indeed became the central paradigm fighting for economic sovereignty against U.S. dominance. Hence, U.S.-Cuba relations could be described as asymmetries of various powers; the concept of dependency theory must be known by scholars. With Castro's success, this meant that Eisenhower's approach lacked sovereignty imperatives upon any claimant.

CONCLUSION

In examining Eisenhower's policy towards Latin America from 1953 to 1961, the thesis offers an alternative perspective on the President's staff structuring relating to Latin American policy, allowing different interpretations of Eisenhower's hidden hand and modernization model. The thesis comes to a very precise conclusion that Eisenhower's effective management of the advisory machinery did not present policy consistency towards Latin America during the Cold War. Consequently, I list the following suggestions for the revisionists to rethink regarding the effect of Eisenhower's system upon Latin America.

First and foremost, Eisenhower's NSC was hierarchically structured and distinctively staffed with levels of leading bureaucrats who represented different viewpoints towards Latin America. The key figures in Eisenhower's system often debated over different means to reach U.S. ends in Latin America, which resulted in bureaucratic conflicts. Eisenhower's hidden hand leadership contributed little to resolve the conflicts but more to accommodate a variety of foreign policy objectives despite the potential tensions between them. Moreover, Greenstein's hidden hand did not explain how economic objectives and security concerns were blended. Eisenhower also

utilized covert action in Guatemala to rectify the dilemma between economic cooperation and the security perspective. From the evidence, Eisenhower's administration tried to pursue more than one objective simultaneously within his advisory system where he and key secretariats had the final say over the decision. This made the NSC far more bureaucratic subsequently leading to arbitrary decisions. Eisenhower himself sought to integrate economic and security concerns into one policy line as shown in the NSC 5432/1, rather than fundamentally discussing the policy discrepancies.

Secondly, the employment of modernization was to create a pro-American government conducive to the inflow of private investment. Eisenhower also used the covert action to remove economic nationalism and define the future economic cooperation. Scholars have investigated different categories of nationalism which reflect disagreements about definitions of nation. Based on the examination of existing scholarship, I conclude that the study of nationalism has been divided into two different schools: Constructivism, such as Anderson, Centeno, Calhoun and Miller, insists that nation be interpreted by the construction of national identity measured by collective memory; and Primordialism, held by Smith, Lomnitz and Heywood, has argued that nationalism has its ethnic, cultural and territorial origins.

From my perspective, U.S. policy-makers perceived of Latin American nationalism based on Primordialism which contributes to the modernization theory, while Latin American states shaped their own nationalism through Constructivism. These two approaches to understanding the nature of nation might bring about different interpretations. For example, the concept of nation as *a priori* or *a posterior* is disputable. Although the U.S. approach of modernization is *a priori* reasoning based on the western-centrism, this often represents misinterpretations of social progress and development in Latin America. As a result, different visions of nation undoubtedly lead to temporary cooperation or confrontation.

The Paradigm of Cooperation and Confrontation

The threat of communism did not constitute serious impact upon Latin American states. Rather, it was economic nationalism that embraced the principle of state control or economic nationalization threatening U.S. private enterprises in Latin America and free trade policy. Even though economic nationalism resembles communism a little in economic perspectives (state ownership of economy and redistribution of land), this does not mean that those Latin American states, who implement the policy of nationalization, are communist. The tenet of communism was to create an economic system owned by a society where classlessness and

statelessness are two stinking characteristics of the socioeconomic context. After Dr. Milton Eisenhower came back from Latin America, he acknowledged the misunderstanding that emerged between the U.S. and Latin America but his explanation for ultra-nationalism in Latin America came as the result of economic nationalism. The conflation of communism and Latin American nationalism was widely utilized by the U.S. bureaucrats, which did not reflect an in-depth understanding of political ramifications in Latin America.

Perónism bears several conspicuous similarities to the MNR Bolivian nationalism. Both reshaped a new identity for the working class in search of social reform against social injustice, notably U.S. economic domination upon raw materials in Latin America. Firstly, the working class was a catalyst for progressive initiatives in both states. Perón and Paz conceptualized civic participation by creating an equal society for the minorities. The Perón government enhanced the conditions of the working class, such as increasing the minimum wage by law and yearly benefits for the prescribed jobs. The MNR also extended universal suffrage to Indians, indigenous residents and women. Secondly, the Perón government was a political coalition and so was the Paz government. There were lots of different factions in the Perón coalition. Miranda was a strong advocate of the state control plan (IAPI) whereas Sosa Molina

was a lukewarm adherent of nationalization policy. In Bolivia, Paz and Andrade, seeking to gain the U.S. economic assistance to diversify the Bolivian economy from the tin industry to the agricultural industry, represented the moderate force within the MNR coalition. However, the leftists within the MNR coalition were mineworkers and peasants who otherwise supported the nationalization policy. The U.S. economic assistance was the crucial factor to strengthen Paz's political power within the MNR coalition.

The analogy between Guatemala and Cuba is clear because Árbenz and Castro were unwilling to accept the so-called "adequate, effective and prompt compensation" principle proposed by the U.S. Their tough positions on respective sovereignty made U.S. diplomatic negotiation on the investment dispute unsettled. Judging from the principle of compensation, the two cases were the manifestation of an impasse, which incurred CIA involvement to overthrow the two regimes. These two cases provoke a further discussion on whether a legal entity in any other individual Latin American nation could perform the same functions as that in the U.S. If not, the White House decision-makers could have chosen a relatively positive method. Would a less formal Dispute Resolution Panel be a better idea than the CIA's initiative in launching covert action? Castro's intransigence was a recurrence of the Guatemalan case, which meant

that the White House did not explore alternative possibilities to solve the fundamental problems. In these two cases, the pattern of U.S. approach was to use the diplomatic mediation proposed by the DOS and the covert action would be used as a last resort. In the long run, Árbenz and Castro turned out to be the purported communists after the Agrarian Reform - it is also irrefutable that both leaders nationalized the private properties for public purposes.

Latin America as Low Priority in U.S. Agenda

Overall, the U.S. foreign policy objective during the Cold War was to keep its hegemony and to counteract the infiltration of Soviet communism. When Bulganin framed economic propaganda to strengthen economic, diplomatic, cultural and technical cooperation in 1956 with the underdeveloped countries, the tensions were stretched in Asia, Africa and the Middle East. Murphy recognized the gap between the current military assistance and the standardization of U.S. military equipment in Latin America. To this end, he tried to advocate U.S. military assistance based on a reimbursable basis. His initiative was challenged by Humphrey on the matter as to whether unnecessary military purchase would increase economic burdens for Latin American nations. Humphrey assumed that Latin American states would seek alternative markets to improve their military facilities such as the European suppliers;

his recommendation was incorporated into NSC 5613/1 on 25th September 1956. Moreover, U.S. Congress was motivated by Bulganin's economic propaganda to advocate the inflow of public capital into Latin American states. The Smathers Fund was the first attempt that Congress made; however, it was a stimulus for the DLF. In my analysis, Eisenhower was a President who liked to maintain an integral foreign policy team. There were so many foreign policy objectives but they were all maintained in Eisenhower's foreign policy recommendations. If any bureaucrats wanted to bridge the gap, the recommendations would be closely reviewed or scrutinized before full consideration of NSC staff.

This thesis has proved that the SEO did not directly impact on individual Latin American states. Rather, it ideologically challenged Eisenhower's "trade and aid" policy. Mexico, Panama, Nicaragua, Venezuela, Brazil, Chile and Costa Rica cared for economic advantages more than ideological appeal. These Latin American states were economically and politically dependent upon the U.S. Therefore, a belief held by most Latin American leaders tended to focus on what economic incentives they could get from the U.S. to stabilize their domestic economies. Likewise, this made U.S. foreign policy-makers focus on Latin American national leaders rather than Latin American nationals. In this sense, Eisenhower did not necessarily need to distinguish left-wing

nationalists from military dictators because the U.S. could continuously exercise its influence in individual states once they could get support from Latin American national leaders. For example, Jiménez in Venezuela, the Klein-Saks mission in Chile and Somoza in Nicaragua.

A belief in the infiltration of communism strengthened the importance of U.S. national security in Latin America - it is this belief that drives Dulles to advocate anti-communism resolution in Latin America. This belief overshadowed any policy objectives until Anderson, Rubottom and Dillon were newly appointed to different positions prior to the Buenos Aires Conference. Even though Anderson, Rubottom and Dillon tried to bridge the gap to reduce the anti-American sentiments in Latin America, they could only arouse bureaucratic attention for a specific policy. Nixon's visit and the proposal of Pan Americanism have shown the claim of economic sovereignty. In view of the constant neglect of Latin America by the U.S., the area was not a top priority for consideration by the White House.

Is Eisenhower a Policy Failure?

Eisenhower's economic policy envisaged a gradual economic integration of individual Latin American states. From the inflow of private investment as a starting

point, he was aware of historical, socio-cultural and institutional differences but imposed a top-down modernization theory throughout whole Latin American states. This approach could only touch at governmental level rather than provide social services for Latin American nationals. The latter was advocated by U.S. Congress not the White House. U.S. bureaucrats lacked foresight to anticipate the local politics in Latin America. For example, a success of the Guatemala coup d'état facilitated the CIA's involvement in Cuba and finally gave rise to Cuba in the Bay of Pigs Invasion.

Bureaucrats reviewed their policy towards Latin America regularly but the U.S. foreign policy towards individual Latin American states was relatively passive. Senior bureaucrats did not greatly adjust policy until a significant historical episode happened. Was Latin America important to the U.S.? Did the compensation for the nationalized properties threaten U.S. national security? I think U.S.-Latin American conflicts were politicized; senior bureaucrats conceptualized foreign policy objectives based on a belief of American exceptionalism and advocated a policy agenda in accordance with individual preference. In short, Eisenhower's global approach advanced American values but due to the limited applicability to Latin American societies, this approach fell short of in-depth understanding of Latin American identity.

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